

FORESTRY ISSUES
(TONGASS TIMBER MANAGEMENT ACT)

HEARING
BEFORE THE
SUBCOMMITTEE ON FORESTS, FAMILY FARMS,
AND ENERGY
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 1368

MARCH 15, 1989

Serial No. 101-4

(PART 2 OF 2 PARTS)



Printed for the use of the Committee on Agriculture

H161-9

U.S. GOVERNMENT PRINTING OFFICE

96-830

WASHINGTON : 1990

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TONGASS TIMBER MANAGEMENT ACT

WEDNESDAY, MARCH 15, 1989 [Continued]

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FORESTS, FAMILY FARMS, AND ENERGY,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 1302, Longworth House Office Building, Hon. Harold L. Volkmer (chairman of the subcommittee) presiding.

Present: Representatives Olin, Stallings, Jontz, Johnson, Harris, Morrison, Marlenee, Smith, Schuette, and Herger.

Also present: Representative E (Kika) de la Garza, chairman of the committee, and Representative Don Young.

Staff present: Bert R. Peña, staff director; Vernie Hubert and Fred J. Clark, associate counsels; John E. Hogan, minority counsel; Glenda L. Temple, clerk; Timothy P. De Coster, James R. Lyons, and Kraig Naasz.

OPENING STATEMENT OF HON. HAROLD L. VOLKMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. VOLKMER. The subcommittee will come to order.

The Subcommittee on Forests, Family Farms, and Energy will now turn its attention to Alaska, to the Tongass National Forest. Our members and witnesses who participated in last year's hearing on the Tongass will recall we had a very thorough review of issues associated with management of the forest, and it is our intent today to build on that record rather than simply repeat what was said then.

In particular, we will be interested in discussing the extent to which the statutory timber mandates and the long-term contracts constrain or otherwise affect balanced management of the Tongass and planning for its resources.

In order to give the committee a starting place in our consideration of this issue, Mr. Morrison and I have introduced H.R. 1368, the Tongass Timber Management Act. The bill encompasses most of the basic features of interest to this committee from the final version of the Tongass Timber Reform Act which was approved by the House last year.

H.R. 1368 would repeal the permanent annual appropriation for the Tongass timber program as well as the timber offer mandate of 4.5 billion board feet per decade. In addition, the bill would direct the Forest Service to renegotiate the long-term contracts, and to increase the emphasis given to not-timber resources on the forest. We

do not intend it as a statement of where we necessarily expect to end up, but it is a reasonable place for us to begin.

This issue is no less complicated or controversial than when we began to wrestle with it last year. However, we have an obligation to our members to review the matter and provide our comments on what action ought to be taken.

[H.R. 1368 follows:]

101ST CONGRESS
1ST SESSION

H. R. 1368

To amend the joint resolution entitled a "Joint resolution to authorize the Secretary of Agriculture to sell timber within the Tongass National Forest", and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 1989

Mr. VOLKMER (for himself and Mr. MORRISON of Washington) introduced the following bill; which was referred jointly to the Committees on Agriculture and Interior and Insular Affairs

A BILL

To amend the joint resolution entitled a "Joint resolution to authorize the Secretary of Agriculture to sell timber within the Tongass National Forest", and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Tongass Timber Manage-
4 ment Act".

5 SECTION 1. SHORT TITLE.

6 This Act may be cited as the "Tongass Timber Manage-
7 ment Act".

1 SEC. 2. AMENDMENT OF LONG-TERM TIMBER CONTRACTS IN
2 ALASKA TO BETTER ACHIEVE FOREST MAN-
3 AGEMENT OBJECTIVES.

4 (a) FINDING.—The Congress hereby finds and declares
5 that changes in the United States Forest Service long-term
6 timber contracts in Alaska are necessary because the con-
7 tracts prevent proper management of the Tongass National
8 Forest, have undermined fair competition in the southeast
9 Alaska timber industry, and fail to provide a fair financial
10 return to the United States.

11 (b) AMENDMENT.—The joint resolution entitled a
12 “Joint Resolution to authorize the Secretary of Agriculture
13 to sell timber within the Tongass National Forest” approved
14 August 8, 1947 (chapter 516, 61 Stat. 920), is amended by
15 adding at the end the following:

16 “SEC. 4. AMENDMENT OF LONG-TERM TIMBER CONTRACTS IN
17 ALASKA TO BETTER ACHIEVE FOREST MAN-
18 AGEMENT OBJECTIVES.

19 “(a) SECRETARIAL ACTION.—No later than 90 days
20 after the date of enactment of this section, the Secretary of
21 Agriculture shall enter into negotiations with the holders of
22 the long-term timber contracts in Alaska to make changes in
23 the contracts that will achieve the objectives specified in sub-
24 section (b), to the extent that the objectives cannot be
25 achieved solely through unilateral actions of the Secretary.
26 To the extent that the objectives specified in subsection (b)

1 can be achieved solely through unilateral action, the Secre-
2 tary shall, within one year of the date of enactment of this
3 section, take such actions necessary to achieve the objectives.

4 “(b) OBJECTIVES.—Actions and negotiations pursuant
5 to section 4 shall be undertaken in order to achieve the fol-
6 lowing objectives:

7 “(1) To bring forest planning and management
8 practices on the Tongass National Forest into conform-
9 ance with such planning and practices on other nation-
10 al forests and into compliance with the National Forest
11 Management Act, the National Environmental Policy
12 Act of 1969, and other laws applicable to the National
13 Forest System.

14 “(2) To provide that the holders of long-term
15 timber contracts pay stumpage rates comparable to
16 those paid under other sales on the Tongass National
17 Forest.

18 “(3) To promote fair competition within the
19 timber industry in southeast Alaska.

20 “(4) To prevent excessive harvesting of high-
21 volume old-growth timber and to enhance the protec-
22 tion of fish and wildlife resources and habitats in the
23 Tongass National Forest.

24 “(5) To bring administration of the long-term
25 timber contracts into substantial conformance with the

1 procedures for short-term sales, pursuant to the recom-
2 mendations of a Forest Service review team, as set
3 forth in the report entitled 'Reid Brothers Anti-Trust
4 Cast Review Team Findings', including (but not
5 limited to)—

6 "(A) requiring timber purchasers to harvest
7 the entire volume of timber appraised rather than
8 selecting just the timber they desire to harvest;
9 and

10 "(B) reducing the size of timber sale areas
11 reviewed under the procedures of the National
12 Environmental Policy Act of 1969.

13 "(6) To provide that the 5-year operating periods
14 under the long-term timber contracts are integrated
15 with the planning periods under the revised Tongass
16 Land Management Plan."

17 (c) REPORT TO CONGRESS.—

18 (1) No later than one year after the date of enact-
19 ment of this Act, the Secretary shall submit to the
20 Congress a written report concerning the implementa-
21 tion of section 4 of the joint resolution entitled a
22 "Joint Resolution to authorize the Secretary of Agri-
23 culture to sell timber within the Tongass National
24 Forest" approved August 8, 1947 (chapter 516, 61
25 Stat. 920), added by subsection (a) of this section.

1 Such report shall describe the actions taken and the re-
2 sults of the negotiations pursuant to such section 4(a),
3 including the extent to which the holders of the long-
4 term contracts have agreed to changes in such con-
5 tracts in order to achieve the objectives specified in
6 such section 4(b).

7 (2)(A) The report described in paragraph (1) shall
8 also include recommendations for congressional action
9 to achieve the objectives specified in such section 4(b).

10 (B) In the event that the Secretary determines
11 that the objectives specified in such section 4(b) have
12 not been achieved through actions pursuant to such
13 section 4, the Secretary shall provide an analysis of
14 the extent to which the objectives would be achieved
15 through termination of the contracts.

16 **SEC. 3. APPLICATION OF FOREST MANAGEMENT PRACTICES**
17 **TO THE TONGASS NATIONAL FOREST.**

18 (a) **REPEAL OF PERMANENT APPROPRIATION.**—Sec-
19 tion 705(a) of the Alaska National Interest Lands Conserva-
20 tion Act (Public Law 96-487; 16 U.S.C. 539(a)) is hereby
21 repealed, effective October 1, 1989, and subsections (b) and
22 (c) of section 705 are redesignated as subsections (a) and (b),
23 respectively.

1 (b) IDENTIFICATION OF LANDS UNSUITABLE FOR
2 TIMBER PRODUCTION.—Section 705(d) of such Act (16
3 U.S.C. 539d(d)) is hereby repealed.

4 (c) REPORT ON ADEQUACY OF TIMBER SUPPLY.—Sec-
5 tion 706(a) of such Act (16 U.S.C. 539e(a)) is amended by—

6 (1) striking out “and the Committee on Interior
7 and Insular Affairs” and inserting in lieu thereof “the
8 Committee on Agriculture and the Committee on Inte-
9 rior and Insular Affairs”; and

10 (2) repealing the second sentence of such
11 subsection.

12 (d) STATUS OF TONGASS NATIONAL FOREST.—Sec-
13 tion 706(b) of such Act (16 U.S.C. 539e(b)) is amended—

14 (1) by striking out “and (4)” and inserting in lieu
15 thereof “(4)”; and

16 (2) by striking out the period at the end of such
17 section and inserting in lieu thereof “, and (5) the
18 impact of timber management on subsistence resources,
19 wildlife, and fisheries habitats.”.

20 (e) FUTURE REPORTS ON THE TONGASS.—Section
21 706(c) of such Act (16 U.S.C. 539e(c)) is amended by strik-
22 ing out “and the Alaska Land Use Council” and inserting in
23 lieu thereof “the southeast Alaska commercial fishing indus-
24 try, and the Alaska Land Use Council”.

1 SEC. 4. MANAGEMENT OF THE TONGASS NATIONAL FOREST.

2 (a) FINDINGS.—The Congress finds that—

3 (1) the commercial fishing, recreation, timber, and
4 tourism industries each make a substantial contribution
5 to the economy of southeast Alaska and their ability to
6 contribute in the future depends upon balanced plan-
7 ning and management of the Tongass National Forest;
8 and

9 (2) the Forest Service should plan and manage
10 the Tongass National Forest in a manner that ade-
11 quately protects and enhances fish, wildlife, and recrea-
12 tion resources, as well as timber, and should act in the
13 long-term best interests of all natural resource depend-
14 ent industries and subsistence communities in southeast
15 Alaska.

16 (b) PURPOSE.—The purposes of this section are—

17 (1) to require the Secretary to assess the extent to
18 which planning and management of the Tongass Na-
19 tional Forest prior to the enactment of this Act has dif-
20 fered from other national forests; and

21 (2) to require the Secretary to change planning
22 and management priorities, in conformance with laws
23 applicable to the National Forest System, so as to
24 assure that greater emphasis is given to the long-term
25 best interests of the commercial fishing, recreation, and
26 tourism industries, subsistence communities in south-

1 east Alaska, and the national interest in the fish and
2 wildlife and other natural resources of the Tongass Na-
3 tional Forest.

4 (c) **DIRECTIVE.**—(1) The Secretary is authorized and
5 directed to take such steps as necessary to achieve the pur-
6 pose described in subsection (b).

7 (2) Section 706(b) of the Alaska National Interest Lands
8 Conservation Act (Public Law 96-487; 16 U.S.C. 539(b)) is
9 amended—

10 (A) by striking out “and (5)” and inserting in lieu
11 thereof “(5)”; and

12 (B) by striking out the period at the end of such
13 subsection and by inserting in lieu thereof “, and (6)
14 the steps taken by the Secretary under section 5(b) of
15 the Tongass Timber Management Act.”.

○

OPENING STATEMENT OF HON. SID MORRISON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. MORRISON. Mr. Chairman, I would like to comment. The subcommittee handled both of the measures that are before us today, last year.

A big controversial one, of course, remains, the management of the Tongass Forest. We had a very thorough review last year, and then a rather rushed consideration because we were subject to a time consequential referral on this issue. I compliment our Chairman because he has led us in the direction of introducing the bill before us today, H.R. 1368. I think we both look at it as a reasonable place to begin in that it includes those areas of jurisdiction of this subcommittee, and we believe in handling it this way there will be time for the committee to work its will.

So I look forward to the testimony today since we heard this, and we still have it in our mind—I hope that we will not have to repeat everything that we heard last year—that we can add to it and build on the record for the purpose of doing even a better job with this issue.

My own personal thought would be to emphasize for the members of the subcommittee that it is a beginning point, and we want time for this subcommittee and the full committee to work its will in dealing with this very difficult and complex and controversial issue of the management of the Tongass National Forest.

Thank you, Mr. Chairman, for the allowing me to comment.

Mr. VOLKMER. Thank you. With that, we will begin the testimony on H.R. 1368.

Our first panel consists of Mr. Virgil Soderberg, president of the Alaska Loggers Association in Juneau, accompanied by Mr. Steve Silver, counsel to Alaska Loggers Association; Mr. Martin R. Pihl, president and general manager of the Ketchikan Pulp Co., Ketchikan, AK, accompanied by Mr. Owen Graham, logging manager of Ketchikan, and Mr. Steven Lambert, law partner, Hopkins, Sutter, Hamel & Park, Washington, DC; and then also on the panel is Mr. Kent Robinson, policy and programs analyst, National Forests Products Association, Washington, DC; Mr. George A. Craig, registered professional forester testifying on behalf of Alaska Pulp Corp. in Sitka; Mr. William A. Thomas, Jr., testifying on behalf of Klukwan, Inc. and Klukwan Forest Products, Klukwan, AK.

I appreciate you all being here. I know some of you were here before to testify, and we appreciate you making this long trip back again. Hopefully, your testimony will be bringing us up to date on how things are going. I think most members of the subcommittee are interested in this. We appreciate you bringing to us your testimony about areas of contracts as well as other important issues.

We will begin with Mr. Soderberg.

STATEMENT OF VIRGIL SODERBERG, PRESIDENT, ALASKA LOGGERS ASSOCIATION, ACCOMPANIED BY STEVE SILVER, COUNSEL

Mr. SODERBERG. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Virgil Soderberg. I am a 29-year Alaska resident. Over the last 11 years

as an independent logging company contractor I have had harvested timber and constructed roads for what used to be the Alaska Lumber and Pulp Co., and ITT Rainier. In addition I have constructed roads for Sealaska Timber Corp., the U.S. Forest Service, and Ketchikan Pulp.

I am the President of the Alaskan Loggers Association. The Alaskan Loggers Association is made up of logging companies, sawmills and pulp mills throughout Alaska representing 110 separate companies and 4,400 workers. In addition there are 200 associate members which employ several thousand persons both in Alaska and the lower 48.

The Tongass is not in crisis. Beginning with there are 16.7 million acres in the Tongass National Forest, of which 5.6 million acres are congressionally designated wilderness under section 703 of ANILCA. Of the 16.7 million acres on the Tongass, approximately one-third or 5.5 million acres is commercial forest land. Of this one-third of the forest, 1.6 million acre, or 30 percent is designated wilderness. An additional 2.2 million acres, or 40 percent is restricted from timber harvest to protect the other multiple-uses and the remaining 1.7 million acres constitutes the timber base for the 100-year rotation.

In the period 1978 to 1987 the timber industry harvested 76,000 acres, or 7,600 acres of national forest per year, which is 0.4 of 1 percent of the 1.7 million acres available for harvest.

All harvest activity is regulated by the Forest Service in accordance with National Forest Management Act regulations. In short, other resources are protected in full accord with multiple-use principles and the law.

With respect to the Tongass land management plan, or TLMP, the Tongass National Forest was the first national forest for which there was a forest plan. The plan came out in draft in August 1978, and was the vehicle used by this committee under Senator Jackson's chairmanship to forge the Tongass section in the ANILCA bill. Pursuant to the National Forest Management Act planning regulations, this is the first forest plan to be revised. Thus far, the Tongass forest planning team has worked for 2 years at a cost of \$5 million. The draft forest plan is expected out in the form of a draft environmental impact statement in December 1989.

The Tongass is back economically. During the period 1982 through 1986, the forest products industry on the Tongass National Forest, like the forest industry nationally, suffered a severe depression. But the Tongass is coming back now.

The ALA polled its members to determine 1988 calendar year harvest levels. A calendar year review, which includes unscaled volume in rafts, more accurately reflects market acceleration than the scaled, fiscal year Forest Service figures which show only half a calendar year's figure. For 1988, our members show a 377 MMBF net log volume harvest level.

This produced 3,447 direct jobs according to the Alaska Department of Labor figures. This needs to be adjusted by adding 391 longshoring and towing jobs, 150 road construction jobs and 435 timber related Forest Service jobs not counted by the Alaska Department of Labor. This produces a grand total of 4,423 jobs of which approximately 1,000 jobs are from Native timber operations.

Using the Sitka mill economic study performed by the McDowell Group, there are 1.4 indirect jobs for each direct job. Accordingly there were 10,615 direct and indirect timber industry related jobs in southeast Alaska in 1988. This is more than one-third of the private employment in southeast Alaska.

In 1987, the total dollar value of the forest products exported from Alaska was \$327 million. In 1988, it was \$474 million, a 45-percent increase over 1987.

The Timber Sale Program Information Reporting System, or TSPIRS, for fiscal year 1988 shows that while there was a \$1.6-million loss in timber receipts over revenues, the new present value of the future benefits on the acres harvested in 1988 was \$1.3 million. Most important is the TSPIRS Employment and Income Report which shows that as a result of timber harvesting and the primary manufacture requirement total personal income from the forest industry in 1988 was \$117.6 million, and the value to the communities \$485 million.

Since the Forest Service would receive greater stumpage returns but for the primary manufacture requirement, the dollar value of the jobs related to this worthwhile social program should be considered in determining the value of Tongass timber harvesting to Alaska and the country.

The world market outlook remains very strong. Alaska pulp products are sold in 20 countries. As a result of revision in exchange rates, there is now a permanent institutional change on the forest in Alaska which will maintain our industry at a higher rate of harvest. As you know, logs harvested on national forest land in Alaska are subject to primary manufacture. The change in the exchange rates has caused many products manufactured in Alaska and shipped to the Pacific Rim to be cheaper than products manufactured from round logs in the Pacific Rim. Accordingly, we will be able to supply jobs at an accelerating rate on the national forest land.

Conversely, the Village Corporations in southeast Alaska, established under the Alaskan native Claims Settlement Act of 1971 are running out of timber. Six of those villages are already out of timber, another three will run out of timber in 2 years, and the final three will run out of timber in 2 years after that. Sealaska Corp., the regional native corporation will run out of timber in the next 10 years. When that happens those villages which wish to continue timber harvesting in the southeast Alaska must do so in the Tongass National Forest. Accordingly, the increased harvest levels brought about by change in the exchange rates and the increase pressure from Native Corporations wishing to harvest on national forest land will keep the harvest levels high throughout the decade of the 1990's.

With respect to section 705, if it is repealed, it will reduce the timber supply from the Tongass by a third, notwithstanding the increased demand from national forest timber described above. This will occur because without the direction to manage a timber sales program providing availability of a supply of 4.5 billion feet per decade and sufficient appropriations to achieve that harvest level, the 1979 Tongass Forest plan shows the Tongass can only produce 3.38 billion board feet per decade.

If the 23 areas are designated as wilderness, then the estimated impact would be a further reduction of approximately 500 million board feet per decade for a total of only 2.88 billion board feet per decade.

Some people have argued that section 705 repealed because it makes the Tongass different from every national forest. Congress made the Tongass different from every other national forest in 1980 when in section 703, as part of ANILCA, it designated so much wilderness on the forest that the nonwilderness lands which remained open to timber harvest could not support the then-existing level of jobs on a sustained-yield basis. Section 705, which is based on an alternative to TLMP recommended by the regional forester in August 1978 was designed to solve this problem.

The idea, then, was to use intensive management monies to increase the sustained yield of the nonwilderness lands open to timber harvest and thus provide a sustained-yield harvest of 4.5 billion board feet per decade. Currently, the Alaska Loggers Association recognized the need for a change in the Tongass Timber Supply Fund as seen in our attached proposal for legislation.

It has always been the case that the amount harvested in any one year would depend upon market demand, but the Forest Service is required to retain a sufficient land base, so that using intensive management monies, it can achieve a harvest level of 4.5 billion board feet per decade.

In respect to the cancellation of the long-term sales, the Loggers Association feels there is no need for legislation. It is wrong for Congress to legislate in an area dealing with contract relationship between the United States and private parties. These contracts and the related pulp mills are the foundation of the industry in southeast Alaska today. They are essential because 50 percent of the timber on the Tongass is mature, overripe, suitable only for pulping, and cannot be utilized in the sawmills.

In addition, the pulp mills provide a market for the pulp logs from the timber sales purchased by the independent sawmill operators and logs owned by private Native land owners. They also provide a market for chips from sawmill operations.

The cancellation of the contracts would obviously cost the taxpayers hundreds of millions of dollars. The proponents of cancellation have not explained to you the full extent of the Government's exposure.

Legislative modification is also not necessary since the Forest Service and the contract holders are dealing changes through negotiations. While the Alaska Loggers Association does not know the full extent of this exposure, clearly it would cost in the hundreds of millions of dollars to purchase the rights and pay damages to these mills for these contracts.

This says nothing about the indirect cost to the Government of social disruption to communities throughout southeast Alaska.

When people are put out of work in southeast Alaska, it is not like losing a job in the lower 48. There are no roads connecting communities. There are few alternative jobs. Usually, losing one's job means leaving southeast Alaska with attendant family dislocations and impacts. The impacts on people deserve some consideration.

Finally, Mr. Chairman, making land allocations in advance of TLMP makes a mockery of the planning process. If environmental groups are allowed to dictate the results of the process in advance of the forest-planning process, you can be assured that each of the forest plans on the other national forests will be brought before you to be tailored in a way most advantageous to the environmental community. Allowing environmental groups to dictate the planning process through congressional action would be a mistake.

The Alaska Delegation bill proposes midcourse correction in the Tongass program, but does not "throw out the baby with the bath water." It allows continuation of the Tongass Land Management Plan, which has been ongoing for 2 years and on which the Government has already spent \$5 million. It is clearly far superior to H.R. 987.

In respect to field hearings, Mr. Chairman, before it acts, the committee should hold field hearings in southeast Alaska. The committee has not had such hearings in southeast Alaska since 1978. We urge the committee to come and see the way in which timber harvesting is being conducted consistent with other multiple-use values. Hear what the working people of southeast Alaska have to say about these proposals. See if there is some type of emergency requiring land designations to be made in advance of the TLMP revisions.

Thank you.

[The prepared statement of Mr. Soderberg appears at the conclusion of the hearing.]

Mr. VOLKMER. At this time I would like to recognize my colleague from Alaska who is not a member of this committee, but has a vital interest in this issue.

STATEMENT OF HON. DON YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALASKA

Mr. YOUNG. Thank you, Mr. Chairman. I am not a member of this committee. I thank you for the courtesy of allowing me to sit here for a few moments. I have another meeting to go to. I want to welcome the panel again.

This is the same song and dance that I do. I appreciate everybody definitely from both sides of the aisle, probably more so this panel than the next panel after that, because you are like this in the States and their's is not.

Mr. Chairman and members of the committee, I hope you are listening to what is being said today. I know that your subcommittee is meeting on contracts of 4.5. The committee I sit on as ranking member of course has the proposal before us that makes 25 acres in the wilderness—108 million acres additional to the 5.2 million acres which gives us a total of about 7.2 million acres for wilderness.

You do not have that much wilderness areas in your States, Mr. Chairman and members of the subcommittee. We are talking about 6,000 jobs, Mr. Chairman, and I worked 4 years trying to write up a compromise. I came very close, and every time it was presented for argument by wilderness groups, national groups.

There are national groups in this room that do not want anything but the wilderness. They will tell this committee they want a timber industry. They want home cottage industry with 194-plus fruit trees. Only 50 percent is good for cottage industry.

It is ridiculous, and I hope, Mr. Chairman, that you deal with what Mr. Soderberg said. The communities that are involved in this are the communities that have bonded themselves with tremendous amounts of money to provide the services, schools, power-plants, roads, fire protection, and such.

When we are talking about buying out the mills, I suggest with respect to this committee, that if they terminate the contracts, they have the obligation to buy out the cities, too, and all of their debts. And even then we have tremendous social up-heave.

In Washington today there is a major court decision coming down by a judge in Washington sometime today. Hopefully it will on the site of the Washington delegation. If not that timber area will, in fact, be put into a standby status. There will be no logging in Washington or Oregon.

Mr. Chairman, if I may say to the members of the committee it is ironic. This is an elective body in a free society, and we are trying to put pulp mills out of work by asking the committee I sit on—hopefully not this committee—put people out of work, close down the industry.

And right next door in the same rain forest the Canadian Government is subsidizing two brandnew mills in addition to the seven they already have in a very small area.

I think it is time this committee started listening to those that are directly affected, not those who are sitting here within the Washington beltway. They are making their living, and their idea is to promote the idea of wilderness. And that, my friends, is what happened in the last 4 years.

I have great respect for the Alaskan people who come down from the environment community to work with us, and the solution we write and which is exactly what they wanted but was rejected by the Sierra Club, the Wilderness Society, and friends of yours and all of the good little bunny hunters.

It is time, my friends, that we start considering other people because this is not the last forest that is being harvested. We are harvesting very small amounts on 17.2 million acres of land. It is the same today so we are going to make 6,000 people miserable. Everybody says "well, isn't that grand?" You have direct and indirect employment, 6,000 lives, and four major communities, and say they really are not important.

Mr. Chairman, I compliment you on your having this hearing. I hope that you have an opportunity to go to Alaska and speak to some of those people—yes, even the environmental community, but I would like to see those environmental community support those schools, the rents that they live on today, and enjoy it.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Young appears at the conclusion of the hearing.]

Mr. VOLKMER. I thank the gentleman from Alaska.

I want to share, again, that we will review this legislation very thoroughly, and hopefully we will be able to visit southeast parts of Alaska in the near future.

Mr. MORRISON. Mr. Chairman, I have a statement of Mr. Marlenee. He has to attend some other meetings, so I would like to submit this for the record.

Mr. VOLKMER. Without objection, the statement will be part of the record.

[The prepared statement of Mr. Marlenee follows:]

STATEMENT OF THE HON. RON MARLENEE
HOUSE SUBCOMMITTEE ON FORESTS, FAMILY FARMS AND ENERGY
MANAGEMENT OF THE TONGASS NATIONAL FOREST

MARCH 15, 1989

MR. CHAIRMAN, I AM PLEASED TO LEARN THAT THIS SUBCOMMITTEE IS CONSIDERING A MUCH MORE MODERATE APPROACH TO THE ISSUES SURROUNDING THE TONGASS NATIONAL FOREST THAN ANOTHER COMMITTEE I SERVE ON WHICH HELD A HEARING ON MR. MRAZEK'S H.R. 987 YESTERDAY. HOWEVER, I STILL HAVE SEVERAL CONCERNS THAT NEED TO BE ADDRESSED.

1. WE MUST REMEMBER THAT ANY BILL WHICH AFFECTS ALASKA'S LARGEST NATIONAL FOREST AND THE LIVELIHOOD OF THOUSANDS OF ITS RESIDENTS SHOULD NOT RUN ROUGHSHOD OVER THE CONSENSUS OF THE ALASKAN CONGRESSIONAL DELEGATION, ITS GOVERNOR AND THE U.S. FOREST SERVICE. SURELY THIS SUBCOMMITTEE WILL TAKE INTO ACCOUNT THIS ALASKAN CONSENSUS BEFORE PASSING JUDGEMENT ON THIS LEGISLATION UNLIKE ANOTHER HOUSE COMMITTEE WHICH IS CONSIDERING A BILL THAT IS OPPOSED BY THE ENTIRE ALASKAN CONGRESSIONAL DELEGATION.

2. MR. MRAZEK'S BILL WILL CREATE A WILDERNESS AREA TWICE THE SIZE OF RHODE ISLAND AND THE INTERIOR COMMITTEE WILL LIKELY PASS THIS BILL WITHOUT HOLDING PUBLIC HEARINGS IN THE AREA AFFECTED - NOT EVEN A FIELD INSPECTION BY MEMBERS AND STAFF. I AM PLEASED THAT THIS SUBCOMMITTEE HAS NOT BOUGHT OFF ON THIS OUTRAGEOUS IDEA OF CREATING MORE WILDERNESS IN THE TONGASS. MR. CHAIRMAN, I HOPE WE COULD GO ONE STEP FURTHER AND GIVE WORKING ALASKANS AT LEAST A

FIELD HEARING. THE CITIZENS OF ALASKA NEED AN OPPORTUNITY TO BE HEARD ON THIS ISSUE AND THIS SUBCOMMITTEE IS THEIR ONLY HOPE.

3. AT A TIME WHEN OUR NATION IS RUNNING AN ANNUAL TRADE DEFICIT OF OVER \$100 BILLION, HOW CAN WE AFFORD TO KEEP THE TIMBER INDUSTRY OUT OF A VAST PORTION OF A PRODUCTIVE FOREST THAT IS CONTRIBUTING MILLIONS OF DOLLARS TO OUR BALANCE OF PAYMENTS. THIS SUBCOMMITTEE MUST TAKE THIS INTO ACCOUNT BEFORE WE CONSIDER ANY LEGISLATION ON THE TONGASS.

4. FINALLY, THE INTERIOR COMMITTEE IS CONSIDERING LEGISLATION THAT WILL SIMPLY PUT THOUSANDS OF WORKING FAMILIES OUT OF A JOB AND IN AN UNEMPLOYMENT LINE. WILDERNESS AND WELFARE WILL NEVER REPLACE THE PRIDE THAT ALASKANS HAVE HAD FOR BUILDING STRONG COMMUNITIES AND PROVIDING FOR THEIR FAMILIES. MR. CHAIRMAN, WITH THE HIGH PRIORITY THIS CONGRESS PLACES ON CREATING JOBS, WHY ARE SOME SPENDING PRECIOUS TIME CONSIDERING A BILL THAT WILL PUT AMERICAN CITIZENS OUT OF WORK??

I AM HOPEFUL THAT THIS SUBCOMMITTEE WILL LISTEN TO THE VIEWS OF THE ALASKAN PEOPLE AS REPRESENTED IN THE CONSENSUS REACHED BY THEIR CONGRESSIONAL DELEGATION AGAINST THE MRAZEK BILL. AFTER ALL, THE REAL EFFECT OF THAT BILL CONSIDERED YESTERDAY BY THE HOUSE INTERIOR COMMITTEE WILL BE FELT IN ALASKAN LIVING ROOMS AND NOT THE PLUSH BOARDROOMS OF NATIONAL ENVIRONMENTAL ORGANIZATIONS WHOSE WELL PAID LEADERSHIP IS INSULATED FROM THE REALITIES OF MAKING A LIVING IN SOUTHEAST ALASKA.

Mr. VOLKMER. At this time we will hear from Mr. Pihl.

STATEMENT OF MARTIN R. PIHL, PRESIDENT AND GENERAL MANAGER, KETCHIKAN PULP CO., ACCOMPANIED BY OWEN GRAHAM, LOGGING MANAGER, AND STEVEN LAMBERT, ATTORNEY

Mr. PIHL. Mr. Chairman and members of this community, thank you for this opportunity to testify.

I am just getting over a serious virus, an attack on the inner ear, and I can hardly hear. I hope that I am not shouting into the microphone.

Mr. VOLKMER. You are doing just fine.

Mr. PIHL. I have submitted extensive testimony for the record on this vital issue. We have also distributed a 15-minute video to each member of the committee: The Story of KPC people at work. Converting both quality and overmature forest into quality products for world markets. It also brings out the marvelous regrowth capacity of the forest. That is becoming clearer now as we have 5, 10, 15, 20 and up to 30 year regrowth areas. That is outstanding.

My oral remarks will deal primarily with an update on our contract, and how positive our operations, employment, markets, our capital expenditures, and stumpage are today, and accordingly how bright our outlook is for the future.

As to individual contracts, desired changes, if indeed they exist, can and should be handled between the parties. Such modifications have been made in the KPC contract over the years. We submit that the history of KPC's performance under its contract indicates the appropriateness of the bargaining table, not the halls of Congress, as the proper forum to make necessary revisions if they are needed.

We do not believe, in fairness to the people and communities of southeast Alaska, that individual contracts—any contracts—should be driving legislation that has this far reaching impact.

In my remaining time I would like to emphasize how positive our operations are today, our outlook in our employment, markets, capital expenditures, and how positive stumpage is, and how cash payments will soon become very substantial to the Government.

As far as current operations, our results and outlook have never been brighter. We operate integrated forest products operations, starting with out timber harvest concentrated on the northern half of Prince of Wales Island, and the northwest corner of Revilla Island. We logged 195 million in 1988.

Working with the Metlakatla Indian Community we operate sawmill facilities on Annette Island. Attached to my testimony is a letter from the mayor of Metlakatla explaining their view of the importance of that operation to the Metlakatla Indian community. We are currently bringing on line a new \$13 million small log sawmill at Ward Cove which will produce 60 million board feet of planed dimension lumber annually for export and domestic markets.

The new mill creates 75 new jobs. It is a major advancement in the utilization to develop maximum values and improved economics in the forest harvest and conversion. This will result in higher

stumpage values and payments to the Federal Treasury, and also to the local government bodies.

Our operations have met the goal of bringing substantial year-around employment to southeast Alaska. We currently have 900 employees. By July 1, this will increase to 950. We support directly 1,200 to 1,500 jobs. We are by far the largest employer in the region.

Our employment mirrors the population makeup of southeast Alaska. Alaskan Natives comprise about 35 percent of our total work force. At Annette Island, 80 to 90 percent of the employees are members of the Metlakatla Indian community.

During 1988 our average full-time worker earned \$40,800 plus benefits. Profit sharing added \$3,300 to each employee's annual earnings. Gross wages for all our employees in the area were \$32 million last year plus benefits. Our total expenditures in the local economy of Ketchikan-Metlakatla-Prince of Wales are \$5 million per month.

As far as markets, we have seen dramatic recovery since 1986 in markets for both pulp and lumber. Attached as exhibit B of my testimony is a listing of total net sale by country for the years 1986, 1987, 1988. Environmental claims that our markets are being eliminated and that our products all go to Japan are simply untrue. We do business in broad domestic and world markets. KPC exports of \$134 million in 1988 clearly make a substantial contribution toward a favorable balance trade.

Pulp sales were up 34 percent from 1986 to 1987, and up 36 percent from 1987 to 1988. This is an increase of 82 percent in the 2-year period.

Exhibit C is a summary of KPC net pulp sales by country. This shows broad marketing. The broad uses of our dissolving pulp are outlined in my testimony.

As far as capital expenditures, building for the future and relying on the contract for timber supply, we invested last year \$35.3 million. Our investment in the last 15 years has been about \$300 million.

Next is stumpage rates. Our contract has been mischaracterized during recent Congress hearings. Our contract has been modified in all respects for consistencies of NFMA. Forest Service Chief Robertson has confirmed this. The KPC contract does provide for both upward and downward adjustment of stumpage during the relevant 5-year period, if there is the determination of substantial changes in markets or other economics. Statements to the contrary simply are not true.

Under the upward stumpage adjustment provision of our contract, section 2(c)2, effective August 1, 1988, the Forest Service has adjusted the stumpage rate up to an average for all species of \$49.15 per thousand board feet. This is a 23-fold increase from the rates set by the Forest Service effective March 1, 1984. With continuing quarterly market improvements, Forest Service Handbook Directive 57 issued December 28, 1988 indicates an average stumpage rate in the range of \$75 to \$90. This handbook will be used in adjusting our rates effective March 1, 1989.

Another issue distorted is the so-called hygrading. Under section 2(b)2 of our contract, it provides for recalculation of stumpage rates

based on actual species harvested if at variance with the estimates used by the Forest Service in the appraisal.

As to comparison of stumpage rates between short-term and long-term sales there are many factors that must be considered in making a valid comparison. Differences are developed in my testimony, and in addition we have a handout I would like to submit to the committee for the record. It lists the reasons for differences in stumpage between long-term sales and short-term sales. I understand Mr. Craig has developed analyses on the subject.

As to the selection process we would like to submit for the record a map showing KPC's nomination compared with the Forest Service selection. This will clearly show the viewer that we do not control the selection process.

This covers the 1984 to 1989 selections, and we can produce a similar map on the 1989 to 1994 selection, should you like that.

While I am on that area, another thing I would like to clear up is that yesterday we heard that the volume per acre was 54,000 board feet. I would like to submit for the record what ours has been from 1978 to 1988. Last year it was 27.61 thousand per acre, about half of what was quoted yesterday. We must not be getting our fair shake.

Mr. VOLKMER. It will be included in the record or held in the files, without objection. Do you only have one copy of that?

Mr. PIHL. No.

Mr. VOLKMER. There are several copies there?

Mr. PIHL. There are plenty of copies for both of those things.

On purchaser's credit, we understand you have some question about the treatment of purchaser's credit in the KPC contract. The original conception of purchaser's credit was to help the operator finance road construction on the front end of the timber sale, and pay a correspondingly increased stumpage rate on the last volumes removed from the sale area.

This is particularly important when roads are built to higher standards and costs to meet Forest Service design standards, and only a small portion of the timber removed on the initial entry—typically this is about one-third of the timber removed on the first entry.

On a long-term sale it is necessary to build roads in the last year or two of a 5-year period which will be used to log timber in the next 5-year period. This is necessary to keep the pipeline going.

On short-term sales, the Forest Service normally meets this requirement by hard money road construction, or preroad, meaning the Forest Service simply pays a road builder to build the road.

Roads built ahead in either case are factored into the appraisal and allowed as costs on removal of timber in the new period for sale. Correspondingly, the purchaser's credit that relates to that should be available for carrying forward. This is particularly true since the operator is building the roads to those high standards and only bringing out a portion of the timber. Short-term sales have the option of transfer credit from one sale to another.

Purchaser's credit and the stumpage rate setting are entirely separate functions. As to purchaser's credit, really the operator should have it paid when the roads were constructed. As it is, we have an IOU or a bank account with the Forest Service for having

done it. The purchaser credit carry forward is currently being applied against the rate of \$49 per mbf. that was effective in 1988. It is about exhausted, and KPC will be paying the rate in cash in the very near term within the next 30 to 60 days.

As to the KPC contract, January 1987 amendment, basically clarify the language on the treatment of purchaser's credit in Section 2-L of the contract. I can relate the sequence of the contract if you would like, Mr. Chairman.

Mr. VOLKMER. You may get it in if you can.

Mr. PIHL. In conclusion, Mr. Chairman, I would like to thank you and members of this committee for the time you have devoted on the issues involving the Tongass National Forest. We at KPC believe we can continue to be an important foundation of the southeast Alaska timber industry, and an important and essential part of the Alaska economy, if the Federal Government will meet its obligations under our contract. Having lived through the bad years in the early 1980's, continuing our operations, and providing employment, despite losing \$80 million from 1981 to 1985, we have now rebounded and look forward with optimism to the future.

Negotiations between the parties to our contract have occurred before and changes have been made. Negotiations in the future do not scare us, and KPC will in good faith come to the bargaining table understanding our rights and responsibilities under the contract, and recognizing our commitment to proper stewardship of the resource base of southeast Alaska.

Thank you.

[The prepared statement of Mr. Pihl appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you very much, Mr. Pihl.

The gentleman from Montana.

Mr. MARLENEE. Mr. Chairman, I would ask for unanimous consent to insert into the record a letter from the Department of Agriculture Secretary dated March 2, which shows concern about the forestry practices in temperate rain forests and the deforestation of the Amazon regions of South America. It explains very well some of the misinformation that is being propagated about the deforestation of the forest lands.

Mr. VOLKMER. Without objection it will be part of the record. I ask also that you make copies of that for the members of the subcommittee.

At this time we will hear from Mr. Robinson.

[The letter follows:]



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

March 2 1989

Honorable Frank H. Murkowski
United States Senate
Washington, D.C. 20510

Dear Senator Murkowski:

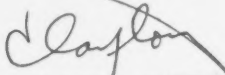
Thank you for your kind words regarding my confirmation. I am very gratified and humbled by the support the Senate has given me in my appointment as Secretary of Agriculture.

We share your concern regarding the comparison between forestry practices in tropical and temperate rain forests. Deforestation in the tropics is carried out primarily for land conversion to agriculture. Sound forest management practices in temperate rain forests such as the Tongass National Forest are primarily for continuation of healthy, productive forests. With tropical deforestation, the land is replanted to low biomass crops, while in the temperate zone, reforestation and high density stocking maintain the structure and health of the temperate rain forests.

As you know, on February 7, Forest Service personnel conducted briefings with both the majority and minority staffers on the Senate Energy and Natural Resources Committee. The purpose of these briefings was to address the management practices on the Tongass and their relationship to the problem of global warming. We will continue to work very hard to promote sound forest management practices on the Tongass and other National Forests and to aggressively respond to any misinformation being disseminated by those opposed to multiple-use management of the National Forests.

I look forward to working closely with you and the Senate on these and other issues of national and international importance. Thank you again for your kind support.

Sincerely,


CLAYTON HEUTER
Secretary

STATEMENT OF KENT S. ROBINSON, POLICY AND PROGRAMS ANALYST, PUBLIC TIMBER PROGRAMS, NATIONAL FORESTS PRODUCTS ASSOCIATION

Mr. ROBINSON. Thank you, Mr. Chairman.

My name is Kent Robinson. I am also a programs analyst with the National Forest Products Association here in Washington, and I will like to thank the subcommittee for holding hearings on management of the Tongass and for allowing me to testify here today.

The NFPA represents over 750 manufacturers of forest products, timberland owners, regional and local forest products trade associations, and allied members. Several of our member companies purchase timber from the Tongass in Alaska and are either partially or totally dependent on timber harvested from the Tongass for their raw material supply.

Today, I would like to provide a brief national perspective on the issue. I wish to begin by noting that while NFPA cannot support H.R. 1368, there are several provisions in this bill which thoughtfully address management of the Tongass. First, we feel that market demands, the long-term sustained-yield capacity of the Tongass, and the annual appropriations process should guide the preparation of timber sales on the Tongass. H.R. 1368 agrees with this approach.

We are not happy with proposed repeal of the permanent appropriation to the Tongass timber supply fund. We reluctantly, however, support this provision of H.R. 1368 as we do similar provisions in Senator Murkowski's bill, S. 237. This provision alone fairly and completely responds to the most widely held and constant criticism to management of the Tongass National Forest. We hope that the annual appropriations process would provide sufficient funding for intensive forest management programs on the Tongass to maintain an annual allowable sales quantity of 450 MMBF.

Unfortunately, H.R. 1368 rests on several incorrect assumptions which has resulted in a proposal which contains several unnecessary provisions. The proposal alleges that the two 50-year contracts neither comply with the NFMA forest planning process, nor allow fair competition in the southeast Alaska timber markets. Testimony before this committee last year draws many of these allegations into question, and my colleagues here on the panel will address each of these issues in specifics.

I would like to spend the balance of my time addressing Representative Mrazek's proposal, H.R. 987, and Senator Wirth's companion bill S. 346. Both contain unnecessary and dangerous proposals. These two proposals make a mockery of the NFMA forest-planning process developed by this committee, and it would expose the Federal Government to substantial contract liability, and third, it would instantly disrupt the economic balance of the southeast Alaskan economy.

The NFMA forest-planning process developed in part by this committee thoughtfully provides extensive opportunities for the public to influence and guide the forest-planning process. The TLMP revision currently underway provides an example of this process at work. The Forest Service after very extensive public con-

tacts, will prepare alternatives which manage the Tongass both with and without the long-term contracts and ANILCA.

All issues and all alternatives will be fully explored and laid open for public review. Congress can then review the quality and completeness of the review process and render its own conclusions. The Service expects to release a draft plan in December 1989. It is a mere 9 months from now. Following release of the draft the public will again have an additional opportunity to comment on management of the Tongass. We urge the committee to let the planning process continue without any interference at all.

Both H.R. 987 and S. 346 would reserve 1.8 million acres of the Tongass before completion of the draft plan. Such congressional withdrawals, timed to take effect in the middle of the first revisions of an NFMA forest plan marks a dangerous threat to the integrity of the forest-planning process.

While S. 346 proposes to merely reserve the 1.8 million acres until completion of the planning process to ensure that options remain open, the very recognition of these areas as potential wilderness will bias future management of these areas. Acceptance of H.R. 987 and S. 346 would set aside permanent wilderness and not preserve management options on the Tongass.

Addressing the second concern, breaking the two long-term contracts, both H.R. 987 and S. 346 propose to break these two contracts within 90 days of passage and acceptance. Legislative cancellation would affect a total breach of these contracts and represent a taking of private property for which the fifth amendment imposes the requirement upon the Government to pay just compensation.

Further, in testimony before this committee in May of last year the mayor of Sitka, AK, noted that the city of Sitka has installed a costly infrastructure in order to accommodate the APC pulp mill. The mayor remarked that the city must continue to service the debt on these investments and any action by the Federal Government to close the APC mill would result in claims against the Government.

Past experience further indicates the true cost of a legislative taking will run into the hundreds of millions of dollars. The Redwood National Park was created through the two legislative takings in 1968 and 1978. The original cost estimate for this park was \$92 million. To date the land acquisition costs under the first taking have exceeded \$200 million. The cost of the second taking were \$359 million, and further the Federal district courts have affirmed settlements in excess of \$1.2 billion with many plans unresolved. Abrogation of the two 50-year Tongass contracts will carry a high price.

Finally, H.R. 987 and S. 346 would both introduce great uncertainty into the southeast Alaskan economy. Both of these proposals call for cancellation within 90 after enactment of the bill. No analysis of the immediate disruption of these proposals will cause on the southeast Alaskan economy has ever been presented. Both loggers and mill workers would find their jobs in jeopardy. Additionally, customer confidence in the entire Alaskan forest products industry will be strongly shaken. Further, the immediate effects of cancellation on Federal and state income tax revenues have never been addressed. The proposed changes may have a devastating

effect in isolated areas where timber harvesting is the primary industry.

Finally, cancellation of the two 50-year contracts will not insure a flow of timber from the Tongass National Forest to mills remaining in operation after cancellation of the two long-term contracts. NFPA's experience in other parts of the country indicates that activists will continue to disrupt the flow of Tongass timber by appealing timber sales on a case-by-case basis.

In closing, NFPA can support the provision of H.R. 1368 which allows market demand and annual appropriations and the long-term productive capacity of the Tongass to drive the timber sales levels. We reluctantly support repeal of the Tongass Timber Supply Fund.

Both H.R. 987 and S. 346 would set an extremely dangerous precedent of congressional interference in the national forest planning process, open the Federal Government to substantial liability claims, and introduce immediate uncertainty and disruption into the southeast Alaskan economy.

This concludes my prepared statement, and I would be happy to answer any questions that the committee might have.

[The prepared statement of Mr. Robinson appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you very much, Mr. Robinson.

We will now hear from Mr. Craig.

STATEMENT OF GEORGE A. CRAIG, REGISTERED PROFESSIONAL FORESTER, OAKLAND, CA, ON BEHALF OF ALASKA PULP CORP.

Mr. CRAIG. Mr. Chairman, may I have my material submitted for the record?

Mr. VOLKMER. It will be made part of the record in full.

Mr. CRAIG. Thank you, sir. I will then attempt to do as you wish which is to emphasize the changes, and obviously one of the first changes that we had is this proposal regarding the taking of the contracts, the breach of the contracts with the Federal Government.

At the last hearing there was discussion of changing contracts—renegotiating them—and now there is a proposal for outright taking. This is obvious that the folks that have been critics of the contracts are seeking again a major land grab.

We only have 1.7 million acres—about 10 percent of the Tongass is now planned for timber production and harvesting over the next 100 to 120 years. In other words, about one-tenth of 1 percent of the Tongass is to be harvested annually.

After a detailed study of the Tongass in 1987, Prof. Jay Cravens, who is currently the president of the Society of American Foresters wrote that 5.7 million acres of that forest are suitable for timber production, and of this about 1.7 are in wilderness and another 2.3 million acres are excluded "because of other resource values, such as visual values and wildlife concerns." He was rejecting claims that the Forest Service is ruining the Tongass rain forest.

He concluded—and this is a professor with no ties to the industry in Alaska—he concluded "In my judgment this issue is raised to satisfy the insatiable appetite of the preservationists."

We would like to suggest that this Congress decide whether or not we are going to have industry in southeast Alaska, and whether or not the Government is going to honor the contracts it has entered. The cost of not doing so has already been mentioned.

There are some new data relative to that. For example, the Government income last year just from labor force in connection with the pulp mill from taxes, Social Security, and unemployment was \$40 million which is shown in the attachment to my statement made by an independent study group. In addition the employees at the Alaska Pulp Corporation—300 mill employees—had an annual average income last year of \$41,651. Their health and benefit programs are the best of any pulp outfit in the country—\$400 per month per employee. There are a number of other benefits enumerated in my statement.

Another piece of new information is the advice we have received that the termination—that is the cost of the termination to the Government—would be somewhere between \$700 million and \$1.1 billion as compared to what the Congressional Research Service estimated it would be, \$150 million.

Of course, the type of heavy investment that has been made there would not be attracted if these long-term contracts were terminated. They are the foundation for bringing that type of money to southeast Alaska.

In your hearings of last May, in my testimony I attached the material that Mr. Pihl has referred to regarding the relevant cost of the timber in connection with independent sales and long-term contracts. Again, the Congressional Research Service had made an analysis which had some defects in it including the inclusion of some values that—it was not evident to them, I think—that were log values rather than standing timber values.

But in any event, that analysis showed that the delivered log costs to the Alaska Pulp Corp. was \$22.60 a thousand board feet more than the delivered log costs under 36 contracts that were analyzed by CRS for the period 1985 to March 1987. It is delivered log costs that should be looked at rather than the dollar amount paid because the delivered log costs recognized the cost of building permanent roads as well as the relative value of timber because of its location, size, and other factors effecting operating costs.

Last year the Congress raised a number of understandable concerns about such matters as the selection of timber and pricing. The problem has been that with the long-term contracts, where we are dealing with billions of feet of timber—it is obviously not possible for the Government to designate in advance all of the timber, to appraise it, and price it—that would be totally inappropriate as compared to the independent sale.

So, a program was initially developed, and has been in existence for 25 years or more, where 5-year planning periods would be used and timber would be selected for that 5-year planning period. The contracts call for the company to propose areas for timber harvesting within the sale area that is described in the contract. The Forest Service would then review these proposals, take out areas that were reserved for other uses, put the process through—put the proposal through the NEPA process, and eventually make a decision.

The companies—that is the Alaska Pulp Corporation—since April of last year has been consulting with the Forest Service to revise that contract in response to the concerns of the Congress, and these negotiations are far advanced, and they will—it appears—bring forth a selection system that will be quite similar to the independent sale selection system in that some timber will be selected each year, and it will be selected—not as proposed by the company, but it will be selected by the Forest Service—both as to operating areas, and then within those operating areas, the specific areas of where timber will be designated for harvest.

In addition to that there will be an economic test made by the Forest Service to determine—and this is a test that will indicate whether or not the timber areas are appropriate for harvest under any Forest Service contract. These contracts do call for timber to be economically operable and commercially sound, and that was the promise that was made to the people in the 1950's who made these heavy investments.

So there is much progress on the selection question and on the rate matter. Again, rates were set on a 5-year basis, and there was also a board of review which could be appealed to by the companies if they did not like the rates. The negotiations are at the point now where it appears that the board of review will evaporate. The timber rates will be established each year for the new areas that are additionally designated each year, and they will be melded into the timber that is already priced.

In addition, instead of developing a price for the entire contact area, the prices will be established by operating areas that the Forest Service has selected. So there is a major change in that respect that is close to agreement.

There are other contract changes under consideration, and in addition to that there is the consideration, as a part of the whole package, of the settlement of the claims against the Government. These negotiations have involved a great amount of discussion. The issues are exceedingly complex. There have been two full-day negotiating sessions after many prior discussions involving the Government attorneys, company attorneys, and local Forest Service people, and myself.

There is to be further discussion between the Forest Service and the company officials next week. Everyone is optimistic, and we think we are moving ahead.

The main problem that remains is the availability of commercial timber, promised under the contract. The Forest Service has testified earlier that the Alaska Pulp Corp. is only operating at 80 percent of capacity—at a high point in the market. The market has gone up 55 percent in the last 3 years. It is a time when timber is needed, and part of their operations are down because of litigation in the areas where timber was designated for harvest by the Forest Service, and the—the Forest Service is in a tight position, as is the company, because of the inability to get needed timber.

That concludes my comments, Mr. Chairman. I will be glad to answer questions.

[The prepared statement of Mr. Craig appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you very much, Mr. Craig.

Mr. Thomas.

**STATEMENT OF WILLIAM A. THOMAS, JR., ON BEHALF OF
KLUKWAN, INC. AND KLUKWAN FOREST PRODUCTS, INC.**

Mr. THOMAS. Thank you, Mr. Chairman and members of the committee.

My name is Bill Thomas. I am the chairman of the Klukwan Forest Products. I was born and raised in Haines, AK, and presently live in the village of Klukwan.

Klukwan is a southeast village corporation formed under ANSCA. As a result of ANSCA we spent a lot of time doing long-range planning and getting prepared for the future. We took the mandate of Congress to go out here and do something that would benefit the people, take them off of the welfare roles, and make them self-efficient. We felt that we have done this, however, we feel we have run into a wall here.

We have had plans through the last 12 years of entering the Tongass and getting some of the public timber out of there which would help us to continue our plans for providing jobs for long-term employees. We feel that the possibility of the cutback in the sustained yield in the harvest in the Tongass will have a devastating effect on our plans. We feel that anybody who will get shook out of the boat it will be us because—as I told many people—we are the “Johnny-come-lately” in the timber industry; namely, we have only been in it for the last 10 to 12 years. We have many shareholders who are dependent upon long goal ranges of this corporation that are set, and hopefully we will be able to succeed by taking a portion of the timber out of the Tongass without having any major or devastating effects upon the parties already in the Tongass.

Klukwan first developed the lands in 1981 with the harvest of 8 million feet. Since then we have had a very high success ratio—a success story—we logged 160 million board feet last year and built 80 miles of road. We have worked for many village corporations in southeast, and have moved to the interior of Alaska in order to find the new sources of timber to cut.

Klukwan Forest Products has become one of the largest and most successful of the Alaskan-based corporations within the State, ranking fourth in 1987 on the basis of sales. In terms of sales operations we were the second largest with only Sealaska being the larger corporation. Reminding you that Sealaska is a regional corporation and that Klukwan is a village corporation of which there are only 200 in the State, and I believe there are 12 regional.

We feel that we have the responsibility to our employees to find a way to continue long-term employment.

We are currently looking at opportunities to either buy into or construct manufacturing facilities which will depend on part of national forest timber. One of the proposed changes that you have—or the objectives that your have in your legislation here—is to promote fair competition within the timber industry in southeast. We have found that unless you have a manufacture facility of some sort—you do not have that you are at the low end here trying to

compete—especially when you come to advertising and writing off a facility that has been replaced.

We have always found that in competing with other people and buying stumpage we found that when we have our own equipment, and it is paid for, or it is sitting in a place in Alaska that has given us the upper hand, we feel that this fair competition clause—I find it hard to interpret who it will benefit. We have tried to compete with some of the larger timber companies on the Pacific Northwest, and we have not been successful. They are more experienced in the timber industry, so we have been unable to compete with them.

We feel that a viable pulp industry is required to handle a large percentage of timber stands. In other words we feel a fully integrated industry is necessary to maximize utilization of the available timber.

We are able to use the two existing pulp mills to our advantage as far as trying to get a price. We always get a more adequate return on our pulp logs—if we were not able to get a sufficient price from them then we would be able to go to the Canadians and use numbers with them. The same with LP and APC.

We feel that even though you are not addressing any cancellations of long-term sales, we feel that a radical cancellation of the long-term contracts will have a devastating effect throughout southeast Alaska. Many communities will directly or indirectly be affected. We know that an economic plan in the southeast will lead to a dependency on Government welfare programs, significantly increase in alcohol and drug abuse, and an increase in a rate of crime, as the decline in oil prices have shown in the northern part of Alaska.

I recently went to a community in the northern part of Alaska that was dependent upon the oil industry because they were not required to stay in Alaska. When the oil prices dipped they left and did their oil exploration elsewhere.

I feel it is key—although I say I am not a great supporter of long-term contracts—it is key that these industries all year around even when the economic slumps occur so that they can provide economic stability in the southeast.

I was very depressed with the community I went to. There were vacant homes after vacant homes. They said it was between 2,000 and 3,000 vacant homes in that community, unemployment rate up to 38 percent. Many office buildings have been abandoned and have been vandalized.

Being a long-term southeast person, born and raised there, I do not wish to see southeasterners end up like that community up north. Even though you are not addressing it here, but it will come up somewhere along the line with Mr. Mrazek's bill, is the additional withdrawal of additional lands in the Tongass for wilderness. We cannot support that. We need to support necessary acres to protect specific resources.

We do not and will not support and radical legislation that will result in the loss of jobs. Nobody is here to protect the person that has just bought the house and the cars, trying to pay for an education. We have had, mostly, on these panels people looking out for themselves, including oil corporations. When I speak for myself, I

feel that the people in Alaska should stay in Alaska. I do not feel that we should put a greater burden on these people whom many people feel they are necessary for others to survive because they do not have college degrees.

The logging industry provides low-entry job opportunities of which many people are happy for. I speak for myself, even, that I have spent up to 10 years actively working in the timber industry and the mills and in the woods, and I always felt that the people who choose work in that industry should be treated as achievers and should be encouraged to continue to work and not end up on the welfare roles or be put into personal bankruptcy or put out on the streets.

[The prepared statement of Mr. Thomas appears at the conclusion of the hearing.]

Mr. THOMAS. What I would like to ask, Mr. Chairman, is that I have a 12:05 flight. If you have no questions of me I would like to ask to be excused along with Virgil Soderberg.

Mr. VOLKMER. You have a 12:05 flight?

Mr. THOMAS. Yes, sir.

Mr. VOLKMER. All right, we will question you first. How about you and Mr. Soderberg first?

Mr. THOMAS. Yes, sir—fine.

Mr. VOLKMER. And then we will do the rest of them.

My question has to deal with the amount of timber that is still remaining yet to be harvested on the Native lands.

Mr. THOMAS. We have about 2 years, and I believe there are only a few village corporations that have 3, and I understand that Sealaska may have up to 10 years of it. I hear that they are having some problems. I do not know how many years they have.

We have only 2 years left, Mr. Chairman.

Mr. VOLKMER. You only have 2 years?

Mr. THOMAS. Yes, sir.

Mr. VOLKMER. OK.

The gentleman from Washington.

Mr. MORRISON. Mr. Thomas, I notice in the early part of your testimony that you are a commercial fisherman as well as being involved in the logging industry. One of the things that occurs as a conflict between logging activities and fishing activities that people are dependent on income from one source or another.

Could you just give us some brief comments on that is your testimony feels that they could coexist? Is it a conflict that some folks would indicate that there is and to other members of the Native Alaskan Group feel that coexistence is possible?

Mr. THOMAS. I live in a community that has roughly 90 commercial gillnet fishermen, and in that area we have had logging for over 30 years. We have also had the ups and downs in the fishing industry. Most recently in talking with members, they blame a lot of the problem now on sectional problems, and I have asked if the logging industry has not totally destroyed the salmon streams, and they say that "it's not doing that but we do say that Sea Cops has added a major portion to the problems of the fishing industry."

In my community where I live we have, I think, 80 gillnet fishers and they all work in the timber industry at one time or another so it is not a majority of the people in the community of Haines that

are the fishermen, with the exception of some of the people—the teachers, and others who do not have to go fishing or have another job.

It depends on which fisherman you talk to. Many of the Alaskan people that remains up there have had to make a living up there have ill-feelings toward us.

Mr. MORRISON. Thank you, Mr. Chairman.

Mr. VOLKMER. Gentleman from Virginia.

Mr. OLIN. I have no questions for these two, Mr. Chairman.

Mr. VOLKMER. The gentleman from Indiana.

Mr. JONTZ. Thank you, Mr. Chairman.

Mr. Soderberg, I would like to ask you a question, if I may.

In the first part of your statement you say that the Tongass is not in crisis. On page 2 on your statement, you note that in the period of 1978 to 1987 the timber harvest of 76,000 acres, which is four-tenths of 1 percent of the 1.7 million acres that was harvested. And then on page 9 of your statement you say that 4.5 billion board feet provision is needed because the Congress only has designated so much wilderness that the remaining nonwilderness land is insufficient in maintaining the job base.

Now, you will make harvest four-tenths of 1 percent of the 1.7 million acres available for harvest, how could it be that what is left is insufficient?

Mr. SODERBERG. I am not too sure I understand your question, sir.

Mr. JONTZ. Well, to repeat the question, the first part of your statement you indicate that only four-tenths of 1 percent of the 1.7 million acres available for harvest was harvested in the last 10 years. And then on page 9 of your statement you tell us that we have to maintain the 4.5 billion board feet requirement because the remaining land that is available for harvest is insufficient.

Now how do you reconcile those two?

Mr. VOLKMER. You have over 99 percent of the owned land.

Mr. JONTZ. If you have only harvested four-tenths of 1 percent of the land that you say is available for harvest in the last 10 years, how can you have this 4.5 billion board feet harvest in order to have a sufficient harvest to maintain the job? I do not understand it at all.

[Pause.]

Mr. JONTZ. I will let that pass. I will go to the second question if I could.

On page 7 of your statement you indicate that we have to have the 4.5 billion board feet provision because the 1979 plan shows that the Tongass to produce 3.4 billion board feet per decade. I was wondering where that 3.4 billion figure came from?

Mr. SILVER. Mr. Jontz, I am Steve Silver, counsel for the Alaska Logging Association, and I would like to answer that question if I may?

Mr. JONTZ. Absolutely.

Mr. SILVER. In answer to your second question, the 3.4 billion figure came from the testimony of the Forest Service during the discussion in the 1979 and 1980 consideration. It was also stated in the TLMP document of 1979 and 1980 that if the amount of wilderness that Congress ultimately set aside in 1980 was designated non-

intensive management sustained yield forestry only 3.38 billion board feet could be achieved.

Mr. JONTZ. That is the sustainable yield for the forest?

Mr. SILVER. For nonintensive management. That is correct.

Mr. JONTZ. With the usual sort of management that the Forest Service supplies 120 national forests that is the sustained yield of the Tongass?

Mr. SILVER. That is correct.

Mr. JONTZ. When was the last year that the harvest in the Tongass exceeded 340 million board feet?

Mr. SILVER. Last year. In the Tongass, according to the Forest Service, was 396 million board feet.

Mr. JONTZ. And the year before that?

Mr. SILVER. The year before that is just about that level around 340 million board feet.

Mr. JONTZ. And the year before that?

Mr. SILVER. The year before that was probably 300 million board feet.

Mr. JONTZ. Recognizing your time situation I will pass on any more questions to Mr. Soderberg. I do recognize your assistance.

Mr. SODERBERG. Sir, there are many more airplanes taking me back home than there are opportunities to sit here and clear the air of these. I would be very happy to do the very best I can to answer your questions.

Mr. JONTZ. Well, I would be delighted for you to try to get the answer of the first question. I do not want to belabor the point. It just strikes me as rather contradictory that in the first part of your statement you make the point that the Tongass is not in crisis and that over the last 10 years, 76,000 acres have been cut which is four-tenths of 1 percent, roughly 1.7 million acres available for harvest, and then on page 9 you make a plea.

I do not understand the contradiction.

Mr. VOLKMER. The gentleman will yield. Perhaps we ought to understand the question. I quite understand the question. I do not know if the answer is simple for the gentleman from Indiana, but I would like to have it.

I think it is a very valid question. In other words, in the last 10 years you only used 1 percent of the harvestable timber in the areas that can be used for harvest in the Tongass. It has taken you 10 years to do 1 percent. Now, he is saying why do you need a 4.5 billion figure when you still have about 99 percent of the timber to harvest?

Do you understand what he is saying?

Mr. SILVER. Yes, sir. May I answer the question?

Mr. VOLKMER. Yes.

Mr. SILVER. The 4.5 billion board feet figure relates to the answer that I gave in the second question. Out of that 4.5 billion figure there is no assurance that the Forest Service can or will get into intensive management practices which are necessary to insure that the 3.38 million board feet sustained yield can be raised to the 4.5 million board feet that is necessary to sustain the industry.

The two figures of the amount of harvest on an annual basis per total acreage do not correlate to the amount of yield of the forests. It is the management practice, intense or not intense, that deter-

mines whether or not the same amount of acreage is harvested each year for the last 10 years will be able to yield 4.5 billion or if it will yield 3.38. The purpose of stating how much is harvested on annual basis on an acreage basis—the one-tenth of 1 percent—is to indicate to the committee that unlike it has been alleged there is not a rape and pillage of the forest going on from Ketchikan to Yakutat. This puts the amount of acreage that every year is harvested in the Tongass into perspective.

It is in very small increments, but that increment can only produce the yield necessary to support the industries at the level which it is now achieving because of intensive management that insures that the 3.38 million board foot level will be managed to raise the yield so that the 4.5 can be achieved.

I am sorry that it was a long-winded answer, and please tell me if I was responsive to your question.

Mr. JONTZ. Well, I appreciate your response. I have trouble understanding Mr. Soderberg's testimony, that he says the 4.5 billion figure did only because Congress designated so much wilderness in 1980 that the remaining nonwilderness land would be sufficient.

Mr. SODERBERG. That is correct.

Mr. JONTZ. And as you know most of the wilderness was designated, 90 percent of the wilderness was not suitable for timber harvest, and in fact a very small percent is commercially for timber based on the Forest Service's criteria of less than a couple percent.

If we are going to justify the whole 4.5 billion harvest, as Mr. Soderberg does, on the idea that somehow wilderness that would make the Nation move this commercially viable timber, and that is why we have to have a special permission seems to me very poorly supported that commercial timber operations will last 10 years if you subject small portions of the commercially suitable land. If it is not wilderness then, what is wilderness is really pretty small compared to, or when focused only on what is commercially important timber.

I guess that is the point I wanted to bring out in the questioning that this wilderness argument that somehow we can—the basic justification that we have heard for this special division which does not exist in any other national forest is that there is so much wilderness as the Tongass. In my opinion, if you want to make some other justification with the 4.5 billion figure—that provision is one thing, but you really cannot justify it based on any need about the Tongass being designated as wilderness.

Mr. SILVER. May I respond to that?

Mr. VOLKMER. Yes.

Mr. SILVER. Congressman, I would respectfully disagree with you. The fact is that during the 1980 deliberations, placed on the record by the Forest Service was testimony that if the wilderness the Congress ultimately established was designated the amount of timber that is in that wilderness would have eliminated the ability of the Forest Service to maintain the level of 4.5 billion board feet.

The Forest Service testified to this. I am not a professional forester. I cannot go out and show you how that figure is reached. I can only tell you what that testimony was, and that it is our justification. Consequently, you cannot get the 4.5 without an intensive management program for the Forest Service. Therefore, we think it

is absolutely necessary that that 4.5 intensive management program be continued.

Mr. JONTZ. I appreciate your response. I guess I will call on the Forest Service people myself. It seems to me pretty inconsistent with the history of the area. I do appreciate it.

Mr. SILVER. Thank you, Congressman.

Mr. VOLKMER. Before we go on, Charlie, I just want to ask Mr. Thomas one more question.

When did you start the timber harvest?

Mr. THOMAS. In 1980.

Mr. VOLKMER. In 1980? How many acres of wilderness have you harvested?

Mr. THOMAS. Well, theoretically we were supposed to receive 23,040, but when you take small plans out, eagle nests, "bumper stips" that are required along the shoreline, I estimate it around 18,000 acres.

Mr. VOLKMER. 18,000 acres?

Mr. THOMAS. Over the 11 years.

Mr. VOLKMER. And of that how much of that has been reforested?

Mr. THOMAS. None. It seems to be coming back on its own.

Mr. VOLKMER. In other words you are going to leave it to natural regeneration?

Mr. THOMAS. Yes, sir. It is coming back pretty good with the forestry we have out there.

Mr. VOLKMER. OK.

I have no further questions. Those witnesses that have to be excused may leave at this time.

I have to leave very briefly for another meeting, and I will ask the gentleman from Idaho to take over. I am going to be gone hopefully no more than 10 or 15 minutes. If the other members take up that much time asking you questions when I come back I will ask my questions. I hope that I get back soon.

Mr. STALLINGS [acting chairman]. The gentleman from Virginia.

Mr. OLIN. Thank you, Mr. Chairman.

I just want to say first that I think the panel has kept up a very good pace on the importance of supporting the Timber Act. You are leading the case, I think, of the cost to the Federal Government that you and I will retract on the contract. That was very impressive testimony to me, and I think that probably some modification of the contracts may go on with the usual percent. That is probably a good idea.

Let me just ask you a question that the Forest Service made on the programming. In order to understand the economics of the Forest Service's point of view—I never got it straight in my head. We recently got a report from the Forest Service on comparison of the various forests regions claiming timber receipts by the Forest Service and timber expenditures. The expenditures would be road building and preparation for sale, I would take it, and whatever regeneration process it might be.

In Alaska the two forests, this would be in particular for the year 1987, they showed timber receipts of about \$6 million, and timber expenditures somewhat over \$24 million. That turns out to

be the least productive—from the money standpoint—of any forest that the national forest manages.

Is it evident to you why that relationship exists because of the excessive road building costs as compared to the timber, or the price of the timber that the Forest Service was able to get—can you give me some clue as to what that relationship sounds like to you?

Mr. PIHL. Well, I would say that there are a lot of factors that go into that. Certainly, the fact that we are operating basically on the initial entry into areas, and we are building roads. We are building them to very high standards that the Forest Service wants for a long range—transportation development plan.

The roads are considerably in excess of what you would call a "prudent logger standard." I mean any road that you can drive a 100-ton log truck over, it will carry the load with no problem.

But we have built far in excess of that requirement, and we only take out about one-third of the timber on the initial entry. That automatically goes to the bottom line and reduces the stumpage equation.

Now in the last several years one of the factors is that you know the industry was in the depths of bad times. You know that it was a deficit situation. It meant an automatic loss for us from 1981 to 1985.

Mr. OLIN. That is your comment?

Mr. PIHL. Yes. \$80 million. We sustained bad losses.

Now in the same period of time contract relief was given to all of the small business sales, and rates that had been bid or set at higher rates—I believe it was congressionally—were reduced to minimum or base rates contractually. That is reflected in those numbers as opposed to why it would be otherwise.

The Forest Service, of course, has to answer itself for the cost of its management program. In the early 1970's—I would say 1974, when the purchaser's credit came into the system, the cost of building roads skyrocketed. For us, it increased at the rate of 15 percent per year compounded for about 12 to 15 years.

It is a fact that it increased at that rate. It reflected building roads to the very high standards. Roads are being designed with plan and profile for construction.

By industry standards there are some very heavy costs being born by the system in administration and engineering.

Mr. OLIN. The figure I am looking, if you took out the road building costs, that the Forest Service cost which would include engineering, and so on of the administration, is that 10 times as much of the receipts from the sales which has been measured 1 million board feet.

With the depression years here—I take it you have some special type of provisions that we are pushing that I ask you and the Forest Service how you are in favor of the timber as to how you got through that period? That is what you said.

Mr. PIHL. Well, in 1981, our rate was, under the emergency appraisals provision, reduced to base rates. We have to pay the base rate, or that minimum rate irrespective of the fact that the true appraisal might be very deficit.

Mr. OLIN. The rate you have had is an associate rate where there is no competition for some reason. Or is it?

Mr. CRAIG. May I comment on that?

Mr. OLIN. Yes.

Mr. CRAIG. It is not an associated rate. It is an appraised rate developed by the Forest Service using their standard appraisal methods, and those—our problem of comparing the results in 1987 is that the timber that was affected in 1987 was set earlier under the contracts, and those were during the very deep depression.

As a good indication of what happened are the results from an index operation appraisal that the Forest Service makes every time it changes its appraisal data which is quarterly, and just as a rough indication in 1982, the indicated—the price that their appraisal shows the timbers should be offered at—if it were independent—was negative \$124. In the first quarter of 1986 it was a negative \$137. By the third quarter of 1987 it got up only to a negative \$2.48, and by the second and third quarter of 1988 it was \$60 or better.

Mr. OLIN. Positive in 1988?

Mr. CRAIG. Yes.

That is part of this problem. But there is another consideration, I think, and that is that as I testified earlier, the income to the Government just in taxes from the labor involved in connection with the pulp mills was \$40 million last year, and all of the other economic benefits. These were recognized, it seems to me, in the compromise—we are constantly asked for compromise—but it is compromised under ANILCA. The idea was we are going to have to subsidize this wilderness.

We have had testimony that there is about as much commercial timber land in the wilderness already designated as there is available for commercial harvest. It may not be as good a quality, but there is a substantial quantity. In acreage, it is 1.7 million which is about 1.5 times the average national forest area in California—all potential commercial land in wilderness in Alaska. This is the most unusual area as compared with any other, and the costs are high. The market has turned around greatly, and things are moving up, and there will be positive returns.

Mr. OLIN. I do not question the motivation for having this whole arrangement in the first place.

Mr. PIHL. Can I just add one thing?

Mr. OLIN. Sure.

Mr. PIHL. At our current rate of \$49, logging 200 billion board feet is \$10 million, or \$1 million a month.

Mr. OLIN. That is what you are paying for timber, is that right?

Mr. PIHL. That is the rate currently established by the Forest Service.

Mr. OLIN. That is a lot higher than 250, or something like that.

Mr. PIHL. It is a 23-fold increase.

Mr. OLIN. The harvesting conditions are much better than they were?

Mr. PIHL. Yes, sir.

Mr. OLIN. So the Forest Service's appraisals are going to be higher, and you are doing better. The Forest Service must be better off. I look at these figures a couple of years from now I ought to see

something closer to a break-even from the Forest Service standpoint.

Mr. CRAIG. There is one other point, I think. In the Interior Committee, questions were raised comparing prices being paid, and I think it is not commonly recognized that this timber in southeast Alaska—a very big area—varies, and varies geographically from north to south, and the values involved vary because of the quality and the nature of the stands as well as the operating costs. An operator in the south may be required to do more road building than in the north.

So, to look at the dollar amounts is misleading.

Mr. OLIN. That might answer Mr. Jontz's question also in the sense that if you get to sell timber of low quality you are not going to get any money out of it. You said that it should have higher quality. I understand that.

Mr. CRAIG. But also, you have to have a lot of low quality timber in order to maintain these two large pulp mills. That is what they run on. So you have to add that, but you have some good quality timber and you have to look at the mix and make any comparisons.

Mr. SILVER. Congressman, Mr. Chairman, if I may make one comment. You were wondering when the break-even point would occur. According to the Forest Service, the break-even has occurred, and fiscal year 1988 the economy was basically breaking—it was \$1.6 million loss, and the Forest Service anticipates in fiscal year 1989, which is of course this year, that they expect to see a money-making operation on time.

So it is not in a couple of years for that.

Mr. OLIN. I appreciate that.

Thank you very much, Mr. Chairman.

Mr. VOLKMER. Thank you.

I recognize the gentleman from Indiana.

Mr. JONTZ. Thank you, Mr. Chairman.

Mr. Pihl, if your contractor was cancelled and you were forced to bid competitively for timber, who would bid against you?

Mr. PIHL. Well, every potential operator within a distance—that which is economic to move the timber from the timber sale to their processing facility.

Mr. JONTZ. All pulps?

Mr. PIHL. Pulp and sawlogs of the entire sale.

Mr. JONTZ. And if you had to bid competitively with these other companies, operators, what do you think you would have to bid with these sales?

Mr. PIHL. I do not know if it would increase it at all.

Mr. JONTZ. It would not increase it at all?

Mr. PIHL. No.

Some of the sales that you might be speaking of—if you are talking about the small business sales are much more valuable as a sale than our areas that we are dealing with under our contracts. If you look at these that are turned in, there are 11 reasons that are listed why often a short-term timber sale has stumpage on it is and should be higher than comparing it with our sale.

Mr. JONTZ. I would like to look at those.

Mr. PIHL. You want me to enumerate some of the principal reasons?

Mr. JONTZ. Yes.

Mr. PIHL. Often a short-term sale is either adjacent to an area that we have opened up—that has been opened up under long-term sale or other sale by the Forest Service. It was the Forest Service testimony last year—I believe my memory is correct—indicated that 79 percent of the Tongass timber supply fund expenditures that were spent on timber sales and road building was spent on small business sales to help improve the economics of those sales.

Now that should result in an improved stumpage value.

Mr. JONTZ. My point is in the absence of a long-term contract, if your contracts were canceled and you had to bid against these smaller companies, you believe that the costs would go up appreciably? Is that what you are telling me?

Mr. PIHL. I say that is a very complex question.

Mr. JONTZ. Well let me put it another way.

If the contracts were terminated and you had to bid on the short-term basis, would you close your mill?

Mr. PIHL. That is a distinct possibility. It certainly could happen, even to a company that is as strong as ours is.

Mr. JONTZ. Why would you do that if the costs were going up?

Mr. PIHL. Are you talking about today or over time?

Mr. JONTZ. Answer the question either way.

Mr. PIHL. I would say without an assured timber supply—you just do not make the kind of investment that is in a pulp mill without an assured timber supply. You can look anywhere in the country and you will find pulp mills are backed up by an assured wood supply. Where roads are being built, they come and—or have a division group should timber fall.

But if it is canceled, I would say that even in our case, it could certainly result in closure, it would occur during the next serious down-market. I think the other factor that I would like to emphasize—it is in my testimony—is what is laid out as far as the stability that the pulp mills, and the foundations of the pulp mills under contract provide for the industry and the communities of southeast Alaska as a whole.

Mr. JONTZ. Well, I am intrigued by your statement that anywhere in the country that someone is building a pulp mill that would have an assured supply—I am not aware that there are other contracts like this as far as Forest Service management is concerned. Am I mistaken about this? Is there somewhere else that a pulp mill has the kind of contract that you have in this country?

Mr. PIHL. There are only two pulp mills in Alaska, and they are both, of course, supported by timber. If you look at a pulp mill in any other area of the country, you are going to find that the owner of the pulp mill either owns the timber supply or has it under contract, or has some contract to insure the wood fiber to support that mill in that investment.

Mr. JONTZ. Maybe I am mistaken, but I believe that the other owners of pulp mills in the country bid under the existing law the Forest Service administers for the other 120 national forests, and that that system works in providing them—

Mr. PIHL. And on the same thing, the Forest Service appraises the timber to us exactly the same way that they appraise any other

sale, whether it is a small independent sale, and exactly the same way as it is done across the country.

Mr. CRAIG. Could I comment, please?

Mr. JONTZ. Yes.

Mr. CRAIG. The point that you make does not recognize that, as far as I know, no other place in the United States are there pulp mills dependent on national forest timber. They make arrangements locally—they may buy some national forest timber, but this was the difficulty for 30 years the Forest Service tried to get people to enter contracts in Alaska, and they have developed an assured supply.

Alaska Pulp out-of-pocket cost was \$200 million. They estimate the present replacement value of \$600 million for that pulp plant. People do not make such an investment unless they had an assured supply. In California we do not have any pulp mills dependent on national forest timber. They have other arrangements, but you have to have—at first the long-term contracts are not the total supply, but you have to have a base that justifies that investment.

Mr. JONTZ. Well, somehow these other companies have existed or at least are existing at the present time. I guess the question is regardless what the circumstances were 30 years ago or 20 years ago, do the existing circumstances that merit the continuation of the contract. My question is—I guess I really do not understand—is why if you do not anticipate any dramatic increase in your costs that you have to go out and bid competitively?

Mr. PIHL. Can I make one more point in that regard?

Mr. JONTZ. Sure.

Mr. PIHL. I think if you look around the country and you look in Alaska, you can see a substantial case of speculative bidding on timber sales. It occurred to the point of requiring contract relief that was given. That is not a very fair thing to subject a pulp mill investment to.

Mr. CRAIG. I might add that it is not these companies money—at least in the case of Alaska Pulp Corp.—that has been invested, and that many millions more have been invested to meet various environmental problems. It is bank's money, and bank's money—or financial institutions have to have some assurance.

Mr. JONTZ. In other words they want good returns on their investments?

Mr. CRAIG. They want to know that they have a chance at least to recover what they loaned.

Mr. JONTZ. Sure. Mr. Craig, you are a consultant?

Mr. CRAIG. Yes, I am.

Mr. JONTZ. Let me ask you to be a consultant to our Government here for a couple of minutes. We do not have any special contracts to offer you today. If you were a private consultant for the Forest Service, given the losses that we have sustained in southeast Alaska and for the region overall, the Forest Service at that present time—or in 1987 for the most recent figures, indicates a ratio of timber receipts that measures about .241. Would you advise or continue any current policies in southeastern Alaska?

Mr. CRAIG. I would have not gotten into them. You may recognize that initially the Forest Service announced that they had 1 billion board feet per year of harvest. They were planning not just

two pulp mills, but there were to be at least four or five pulp mills in southeast Alaska. They were attempting to pattern an industry on the Scandinavian industry, and it was this raw material that they had to have in order to provide the income that would attract the investments that led to the development of southeast Alaska.

In my view, there certainly are lots of areas, including Admiralty Island, that has some very high quality timber that could have contributed to a bigger return to government if that is what you wished. You must also recognize that the Government requires primary manufacturing in southeast Alaska, and if money returns were the only interest, the Federal Government would be exporting logs.

There are other considerations.

Mr. JONTZ. Well, let us look at the issues from the standpoint of sustaining economic activities. We heard testimony earlier that the sustained yield on the Tongass is about 3.4 per billion board per decade, and we have heard of complete industry that pertains to the provisions that would drive the Forest Service to harvest 4.5 billion. As a professional forester would you advise the Federal Government that we ought to harvest 4.5 when the level is 3.0?

Mr. CRAIG. That is ludicrous advice.

We have to recognize that first of all, the reason that we had that provision is that you and Congress decided that we are going to have 5.5 million acres of wilderness, and in order to get that you were going to compromise with the industry, and do what the Forest Service says you have to do, which is to fund for intensive management that will produce that output. I think the justification may very well still be there, and if you are still going to have a net return to the Federal Government of many millions of dollars, why not?

Mr. JONTZ. You heard the statement that the idea that somehow the wilderness designation is as cash-preventive for the welfare of the foreseeable future about the harvest—the quantities that are needed for the foreseeable future is a red herring, and——

Mr. CRAIG. I do not believe that is true.

Mr. JONTZ. I guess that is the issue that the Congress will have to address, then——

Mr. CRAIG. Attached to my testimony is a one page statement by the current president of Society of American Foresters who intensively reviewed the Tongass issues, and he pointed out that about 1.7 million of commercial forest land is in designated wilderness, which is about the same area that is available for timber harvesting under present plans. There are now proposals to take that. That area—the Forest Service is not going to overcut. They are going to provide the timber that the long-term contracts obligate them to provide while trying to maintain the independent operators with a portion of the harvest.

In order to do that you are going to have to make investments. They are now indicating that to the Federal Government, who has other returns than just timber receipts, they are at a break-even point or better.

Mr. JONTZ. I appreciate your patience, Mr. Chairman. Just for the record is that appended statement by Mr. Cravens represent the position of SAF?

Mr. CRAIG. The SAF, I believe, has a statement on the Tongass, and I have helped develop policy statements for the SAF, and I am very familiar with the procedures. It is quite complex. I am sure that they will make it available to you, but I referred to Mr. Cravens as an independent observer with some credentials.

Mr. JONTZ. I appreciate it. I am sure you do not want to leave a misimpression with this committee about——

Mr. CRAIG. I was trying to qualify Professor Cravens who might be knowledgeable of it.

Mr. JONTZ. But in fact the statement does not represent the statement of SAF.

Mr. CRAIG. I did not suggest that.

Mr. SILVER. Mr. Jontz, may I comment on that?

Mr. JONTZ. Sure.

Mr. SILVER. There was testimony by the Society of American Foresters 2 weeks ago in the Senate Energy Committee. We can make that available to you for the record. The SAF position was that Congress should wait until a modified management plan was completed before legislation. That is the basic position, although they have a variety of comments on individual aspects.

[EDITOR'S NOTE.—Material submitted by the Society of American Foresters follows:]



SOCIETY OF AMERICAN FORESTERS

Representing the Forestry Profession in America

5400 GROSVENOR LANE • BETHESDA, MARYLAND 20814 • (301) 897-8720

Telex 9102501089 SAFFOREST UQ

March 28, 1989

Honorable Harold L. Volkmer, Chair
2411 Rayburn Bld.
Washington, DC 20515-2509

Dear Representative Volkmer:

We understand there was a discussion of the Society of American Forester's position on the Tongass National Forest during the Subcommittee on Forests, Family Farms, and Energy Subcommittee hearing March 15, 1989. Mr. George A. Craig, testifying on behalf of Alaska Pulp Corporation, cited several figures from Mr. Jay H. Cravens, President, Society of American Foresters. Mr. Cravens figures are accurate, however, we would like to clarify the Society's position for the record.

The Society does not advocate one land use over another but believes that proposed land use allocations should be made after a thorough study of biological, economic, and social components of a forest. As we stated before the Agriculture Committee, Subcommittee on Forests, Family Farms, and Energy on May 26, 1988: "the Society believes the existing land-management planning process is the most appropriate vehicle for addressing the issues and answering the questions [regarding the Tongass National Forest]. The Society also believes the planning process provides the best opportunity to make changes to special provisions concerning the Tongass National Forest. We are especially concerned that any legislation that interferes with this process would have negative implications for professional forest management throughout the nation. For these reasons, the Society opposes the pending legislation, but encourages the development of management alternatives both with and without the constraints imposed by ANILCA. If Congress deems it appropriate, changes to ANILCA can be made after the revised plan has been completed."

We would like to submit the attached statement regarding provisions of the bills before your subcommittee for the record. Please feel free to contact me with any questions you may have.

Sincerely

E. Thomas Tuchmann
E. Thomas Tuchmann
Director of Resource Policy

EIT:kp

Enclosure: SAF Statement for the Record

SAF NATIONAL CONVENTIONS

1988 • October 16-19 • Rochester, New York

1989 • September 24-27 • Spokane, Washington

STATEMENT FOR THE RECORD
of the
SOCIETY OF AMERICAN FORESTERS
Before The
SUBCOMMITTEE ON FORESTS, FAMILY FARMS AND ENERGY
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
ON LEGISLATION REGARDING
THE TONGASS NATIONAL FOREST

March 15, 1989

Issues surrounding the management of the Tongass National Forest are complex, encompassing biological, social, and economic impacts of anticipated management actions. The Society does not advocate one use over another; however, we strongly believe that the profession is qualified through the education and experience of its members to identify the costs and benefits of various land-management alternatives. In this regard, the Society believes the land-management planning process is the most appropriate vehicle to make changes on the Tongass and, therefore, respectfully requests that no further action be taken on the bills being considered by your subcommittee.

The Society did, however, recommend that the Forest Service develop specific land-management planning alternatives that are independent of the existing constraints imposed by the Alaska National Interest Lands Conservation Act (ANILCA). By following the SAF recommendation, the Forest Service land-use planning process will work more efficiently and enable the agency to look beyond the current program and land-use mandates set by Congress in ANILCA.

The Society has four primary concerns: (1) Too often, conclusions regarding the Tongass' natural resource capabilities fail to reflect the complex nature of the resource—its capabilities and its limitations. (2) Section 705 (a) should be reviewed from a biological as well as a political perspective. (3) Wilderness and other set-asides should be undertaken after a detailed analysis of the benefits and costs of such a designation and (4) The pending legislation would weaken the land-management planning process. The following comments highlight our specific concerns in more detail.

The Natural Resource

The Tongass has some of the most productive timberlands and mineral resources in the world. It also contains many ecologically sensitive areas that provide fish and wildlife habitat, recreation resources, and subsistence opportunities. As is the case with most land-use allocation debates, technical issues regarding the capabilities of the land base are often used to support one of many land uses over another.



Using the Scientific Knowledge and Technical Skills of the Forestry Profession to Benefit Society

The Society believes the answers to many of these technical issues should be framed within the context of site-specific conditions and trade-offs with other resources before land-use allocation decisions can be made. For example, some local citizens subsist by fishing in wilderness areas, while others hunt deer because of access through the timber sale road system. Natural regeneration of clearcuts is prolific; these clearcuts, however, have an obvious impact on the esthetic appeal of the forest. Commercial forestlands on the south portion of the Tongass are generally more productive than those on the north. Deer populations may not survive a hard winter in a harvested area or in unmanaged second-growth forests; the large acreages of old growth set-asides will, however, sustain a viable population. The questions that need to be answered, of course, are to what extent and at what level these many uses can be sustained, especially where they are mutually exclusive.

Section 705.(a)

Section 705.(a) of ANILCA mandates that \$40 million be made available annually to offer 4.5 billion board feet (bbf) of timber per decade. This provision was designed to ensure that an adequate amount of timber would be available for harvest after approximately 26% of the Tongass' commercial timber base had been designated as wilderness in 1980. This allowable sale quantity was developed from timber inventory information available in 1978, which indicated that 338 million board feet could be produced on a sustained basis and an additional 112 million board feet could be available with additional investments. Only the state of Minnesota, which receives an annual appropriation for intensive timber management on lands bordering the Boundary Waters Canoe Area, has received similar treatment in a "wilderness for timber management" compromise.

Additional investments can produce more fiber, should that objective be identified, as it was in ANILCA. This result can also be achieved in an environmentally sensitive manner. Forest Service statistics point out that intensive investment would gain 34 mmbf from annual precommercial thinning, 60 mmbf from road building, and 18 mmbf from use of advanced logging technology.

The Society believes the 4.5 bbf is biologically attainable from a timber management perspective if funds are made available. However, at issue is the appropriateness of mandating harvest level targets on multiple-use lands. The land-management planning process should give forest managers better information on the effect of this intensive timber management on other equally important forest resource uses.

Wilderness and Set-Aside Designations

The Society is also concerned that legislation might designate forestlands as wilderness and set-asides without appropriate study of alternative land uses. Again, the Society does not advocate one land use over another. However, we believe Congress should designate forestland uses only after the economic, ecological, and sociological benefits and costs of allocating land have been developed and analyzed by natural resource professionals. This analysis should include (1) the potential impact of limited commodity extraction on local community well-being; (2) the

potential benefits of wilderness designation for creating economic diversity; (3) a comparison between the cumulative demands of regional and national constituents and those of local constituent needs; (4) the cumulative impacts—both positive and negative—of such allocation in the context of local, regional, and national needs; (5) the spatial distribution needed to cover ecological, biological, historical, and physiographic diversity; and (6) the compatibility of wilderness designation with other resource-management activities. This analysis is as important for intensive timber management as it is for wilderness designation.

Land-Management Planning

In response to forestland management and program controversies in the 1970s, Congress enacted the 1974 Renewable Resources Planning Act and the 1976 National Forest Management Act. The planning process that the legislation authorized is one of the most technically sophisticated in the country. Although the planning process is not perfect, the Society believes it is responsive to public input and serves as an effective means to manage conflict.

The Tongass is the first national forest to have completed a plan, and therefore, the first to be revised. In this regard, the Society is concerned that the legislation currently before Congress would interrupt the planning process. By assuming this responsibility, Congress would be weakening the very purpose of planning, setting an undesirable precedent for the other 155 national forests. The Society is deeply concerned about the implications of forestland planning from the House and Senate floor and its impacts on professional management of the entire National Forest System.

The Society has been monitoring the Tongass Land Management Plan revision and believes forestry professionals are making a good faith effort to inventory the condition of all forest resources and, more importantly, develop alternatives with and without the constraints imposed by ANILCA. In particular, the Forest's state-of-the-art geographic information system will allow planners to analyze the interrelationships of 26 resources simultaneously. The final plan itself will have approximately 24 different land classifications from wilderness research areas to mines. Additionally, the 1989 revision will incorporate new yield tables, regeneration tables, biological suitability analyses, public scoping procedures, and sophisticated fish and wildlife models.

To reiterate, the Society believes the existing land-management planning process is the most appropriate vehicle for addressing the issues and answering the questions addressed within this statement. The Society also believes the planning process provides the best opportunity to make changes to special provisions concerning the Tongass National Forest. We are especially concerned that any legislation that interferes with this process would have negative implications for professional forest management throughout the nation. For these reasons, the Society opposes pending legislation, but encourages the development of management alternatives both with and without the constraints imposed by ANILCA. If Congress deems it appropriate, changes to ANILCA can be made after the revised plan has been completed.

Mr. JONTZ. Mr. Craig says that position is very complex, and you say, in one sense, that—I guess I do not want today's record to reflect that.

Mr. CRAIG. I said that the procedure is very complex.

Mr. JONTZ. I apologize. I just want the record today to be clearer in terms of this issue.

Mr. VOLKMER. Getting back to Mr. Craig, what is your position with the agency?

Mr. CRAIG. I am not with the agency, sir. I am a private—

Mr. VOLKMER. You are testifying on behalf of the Alaska Pulp Corporation?

Mr. CRAIG. I am a consulting forester, sir.

Mr. VOLKMER. In other words you are a—

Mr. CRAIG. I am a consultant to Alaska Pulp—

Mr. VOLKMER. And others, whoever—

Mr. CRAIG. Right. I have several clients.

Mr. VOLKMER. Right. I just wanted to clarify that.

In deference to Mr. Pihl who is a long-time employee with Ketchikan.

Mr. PIHL. Yes, sir.

Mr. VOLKMER. I think, Mr. Craig, you mentioned something earlier in your testimony that I was pleased to hear because last year I, and I know some other members of this committee and of the Congress—all are very concerned about the selection process.

Mr. CRAIG. Yes, sir.

Mr. VOLKMER. As we understood it to be ongoing at that time. Some of us were concerned about a lawsuit that APC had brought because they felt they had the right to go out there—the way we look at, the way I look at it is they go out and put out timber, and I am glad to hear that there are negotiations that are ongoing, and I would like you to encourage them up there—whoever is doing that—that would help a lot if something does work out.

I told other people this in other conversations I think that you should understand that those trees up there in Alaska are just like the trees in Virginia, Washington, and Oregon. Those are not your trees. Those are public trees.

Mr. CRAIG. May I comment?

Mr. VOLKMER. Yes.

Mr. CRAIG. Certainly there is agreement, but it is true that the Alaska Pulp Corp. has a contract, and that contract indicates that the firm will get economically operable timber; specifically it says that. And it set up a procedure to attempt to bring this about.

This is where the litigation arose. There was a feeling—it is demonstrable that—

Mr. VOLKMER. My understanding is that they did not think the Forest Service was giving them the trees that they should be given—

Mr. CRAIG. Right.

Mr. VOLKMER. Process, and—

Mr. CRAIG. The breakthrough in part of these negotiations, and I think it is imaginative, is a new development, generated by the Forest Service, that an economic test will be made by the Forest Service using criteria that is understandable to everybody as to which areas they will designate timber in.

This was the breakthrough, in my view, on this particular area in dealing with selection, and the Forest Service is going to make all the decisions concerning the land base. It is all going to be reviewed through the NEPA process as usual.

So, I think that the big hill has been overcome, and that is really the basis for the concern that raised the litigation.

Mr. VOLKMER. Mr. Pihl, on the selection process, every other place the Forest Service makes the determination. If that determination reduced the amount of timber that would be fit to operate, then I think you might have a complaint to file.

Mr. PIHL. Could I put our view on that, please?

Mr. VOLKMER. Yes.

Mr. PIHL. They are certainly our national forests and the trees belong to the people and the Government of the United States. We are merely a tool—the Ketchikan Pulp Co.—available to the Forest Service to manage the forest under the contract. As far as the selection process, we are reminded in going into the selection process that the laws and the regulations the Forest Service says as a reminder of the rules, and the laws and regulations that operate under, we nominated areas, but they control the selection.

Mr. VOLKMER. All right. Now I would like you all to address one other thing that concerns me. Before 1982, what were you paying for timber per board feet?

Mr. PIHL. Before 1982?

Mr. VOLKMER. 1981, 1979, 1978, 1977? How much did you pay?

Mr. PIHL. I do not have the exact numbers, but I think it was 1979 to 1984—I think the rate was set about \$35.

Mr. VOLKMER. Did it ever go above \$100 a thousand board feet?

Mr. PIHL. For individual species, yes.

Mr. VOLKMER. What would it have been?

Mr. PIHL. Spruce was way over \$100. Hemlock was a negative, and then of course yellow cedar was very high at periods of time.

Today, for a sawmill spruce are ranged \$250 per thousand.

Mr. VOLKMER. OK.

Mr. PIHL. The rate for cedar is about \$700 per thousand; \$49 is the average rate, including the utility.

Mr. VOLKMER. Well, we can get the Forest Service to give us the details of the prior sales to 1982. The reason I asked that is because I do not see today's economy as far as growths that are much different than it was prior to 1979, except I do see something else that makes me think a little bit differently, any way. I do not know the answer yet, and I do not know where I will get the answer, but back in those days people to whom most of this was going to—their currency rate was a lot lower than it is now, and ours is a lot higher. Do you understand what I am saying? The Japanese Yen does not buy today what the direct dollar will buy a lot more.

The question is, then, what does that relate to in the amount of money as far as timber, because basically your cap logs are going to the banks, at least 90 percent?

Mr. PIHL. Japan, Korea, and Taiwan, yes.

Mr. VOLKMER. Where do yours go, Mr. Craig?

Mr. CRAIG. I am sorry, I really do not know.

Mr. VOLKMER. Well, if you get the information and submit it within the next week?

Mr. CRAIG. Yes, sir. What was the question specifically on the cants?

Mr. VOLKMER. Were they on? In other words, the countries with the destinations could find it in 1988, 1987, and before they move their logs—the numbers?

[The information follows:]

**ALASKA PULP CORPORATION**

P.O. BOX 1050, SITKA, ALASKA 99835

TELEX 32-6763
TELECOPIER 907-747-5588
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March 29, 1989

The Honorable Harold L. Volkmer
U.S. House of Representatives
The House Agriculture Committee
2411 Rayburn House Office Building
Washington, D.C. 20515

Congressman Volkmer:

As you requested in the hearing held on March 15, 1989, we are pleased to submit the information on lumber sales for 1987 and 1988 as attached.

Very truly yours,

ALASKA PULP CORPORATION

Franklin C. Roppel
Executive Vice President

FCR:lc
Enclosures

cc: George Craig

ALASKA-WRANGELL LUMBER COMPANY

1987 LUMBER SALES

	Japan		Korea		Taiwan		Europe		U.S.A.		Total	
	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000
Spruce:												
Cants	2,474	1,684	1,189	915							3,663	2,599
Flitch	16,438	10,612	374	220			16	25			16,828	10,857
4x4, Rough	120	33									120	33
4x4, S4S	6,913	2,805									6,913	2,805
Dimension	2,568	869									2,568	869
Total Spruce	28,513	16,103	1,562	1,134			16	25			30,091	17,262
Hemlock:												
Cants												
Flitch	10,919	6,821									10,919	6,821
4x4, Rough	363	97									363	97
4x4, S4S	13,589	6,064									13,589	6,064
Moya	5,310	2,335									5,310	2,335
Dimension	6,909	2,558	51	13							6,960	2,571
Total Hemlock	37,089	17,874	51	13							37,140	17,888
Grand Total	65,602	33,978	1,613	1,147			16	25			67,231	35,150

Note:

Cants: Timber with two sides sawn. The basic use is for remanufacture.
 Flitch: Squared timber larger than 4x4 dimension. The basic use is for remanufacture.
 S4S: Timber surfaced four sides.
 Moya: 3-9/16 x 3-9/16 squared timber.

ALASKA-WRANGELL LUMBER COMPANY

1988 LUMBER SALES

	Japan		Korea		Taiwan		Europe		U.S.A.		Total	
	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000	MBF	\$1,000
Spruce:												
Cants	2,147	1,461	792	726					345	340	345	340
Flitch	22,518	14,804	245	146	184	93	17	31	129	85	23,093	15,159
4x4, Rough	33	10			30	14					63	24
4x4, S4S	9,261	4,216									9,261	4,216
Dimension	3,006	1,216	24	11	41	22			67	21	3,138	1,270
Total Spruce	36,964	21,707	1,061	882	255	129	17	31	542	446	38,839	23,196
Hemlock:												
Cants												
Flitch	13,425	7,970	69	24					25	10	13,519	8,004
4x4, Rough	473	148							322	112	795	260
4x4, S4S	16,431	8,222									16,431	8,222
Moya	5,388	2,610	1	1							5,389	2,610
Dimension	6,775	2,538									6,775	2,538
Total Hemlock	42,492	21,488	70	24					347	122	42,909	21,634
Grand Total	79,457	43,195	1,132	906	255	129	17	31	889	568	81,749	44,829

Note:

Cants: Timber with two sides sawn. The basic use is for remanufacture.

Flitch: Squared timber larger than 4x4 dimension. The basic use is for remanufacture.

S4S: Timber surfaced four sides.

Moya: 3-9/16 x 3-9/16 squared timber.

Mr. VOLKMER. Mr. Robinson, I would like to ask you a question. Let us say that for some reason or other—I am not saying that we will not have to, but what would be the hypothetical on the values of the sales—if for any reason, let us say the 50-year contracts Congress did pass legislation, the President is ready to sign it, and as a result APC and LPK go out of business, where does Japan—which is the primary source, as I understand—replace their cant logs? Where do they go?

Mr. ROBINSON. I think that there would be something from Canada, although—

Mr. VOLKMER. Where?

Mr. ROBINSON. Canada.

Mr. VOLKMER. Right now they are not selling anything.

Mr. ROBINSON. OK, if they are not doing that my next guess would be from Siberia.

Mr. VOLKMER. They are selling a few?

Mr. ROBINSON. They are selling a few. I must say the Indonesians and the Asians recently cut back their productions, so barring that it would be Oregon, Washington, and northern California. It cannot come off of Federal lands, but it sure can come off private lands.

Mr. VOLKMER. The question is, Where are they going to replace it? That is something in the back of my head that I think about.

Mr. ROBINSON. It is going to get harder to replace than it already is.

Mr. VOLKMER. OK.

Mr. ROBINSON. One thing that is going to happen here soon as the Alaskan-made exports increase—

Mr. VOLKMER. Yes.

Mr. ROBINSON. There is going to be more demand as a result of the products.

Mr. VOLKMER. Will there be more demand as the price goes up?

Mr. ROBINSON. I think it will.

Mr. VOLKMER. Let me see—I have here a price stumpage rate long-term sales—1979 to 1981, spruce logs, \$114.96; hemlock \$30.97, AK cedar around \$82.34, red cedar \$86.57. Is that compared a little higher than today?

Mr. PIHL. Yes, as I indicated the saw spruce rate for us today is \$250, and yellow cedar is right at \$700.

Mr. VOLKMER. Now, you question the road credits, and that is something that I have yet to fathom as far as my mind is concerned in getting to find out exactly where I am as far as a factory out of this country, and as far as whether or not we are going to have much to apply after the road credits are given.

One of the things that I think a lot of people thought is that we are not going to make a lot of money off of what was being cut in the Tongass. It is costing the Government money to continue this operation, and I think it is exactly turned around to where we do get something out of it, as least it is more palatable. Do you understand what I am saying?

Mr. PIHL. Yes, sir.

Mr. VOLKMER. Now, if we build in road credits as a matter of looking up to the Forest Service to what kind of roads, are we still going to be back where we were at \$2 or \$2.50 a thousand?

Mr. PIHL. No. Against the \$49 rate, I believe there is \$13.94 of purchaser's credit rate, where the rate PC was \$35 and change. As I indicated in the more current appraisal update, numbered 57, December 27, 1988, that rate was set at \$49. It is going to be up \$70, \$90, or \$100, and the purchaser credit is going to be about \$20—in the range where it is today.

Mr. VOLKMER. That sounds a lot better now.

I also understand from my discussions on this issue with some others that—have you given up back-road credits you had in prior contracts?

Mr. PIHL. When—as far as giving up?

Mr. VOLKMER. Or not going to claim them, or something?

Mr. PIHL. When the contract amendment was signed in January 1987, and the language was cleared up with respect to purchaser's credit—to be carried forward as credit—and as far as the overall settlement with the Government cleaning the slate with the contract, utility appeals, et cetera, there was an agreement as a part of that that the credit earned from prior to—in the current period—prior to January 1, 1986, was wiped-out.

But it is the credit after January 1, 1986 that did accumulate in what I call an IOU—or the bank account with the Forest Service, that since August 1988, has been used up, and we soon start paying full cash—

Mr. VOLKMER. Well, do you know your situation, Mr. Craig? If not, could you give us that information for us as well?

Mr. CRAIG. Well, the situation is the two contracts are on a different time basis, and the one for the Alaska Pulp Corporation is in a 1986-90 period, and part of the negotiations includes that specific question, but it is anticipated that—

Mr. VOLKMER. Is that higher than the negotiations right now?

Mr. CRAIG. Yes, sir.

Mr. VOLKMER. All right. We do not have to discuss it any further.

Mr. CRAIG. I would like to make one point, that it seems we have a parallel with most of the contracts in the western United States south of Alaska in that we have a stumpage rate adjustment provision that adjusts quarterly as they are tied to lumber price indexes which are not appropriate for Alaska.

In those cases, we can have—go from a poor market situation to a good market situation. The price rises through the indexing. Any purchaser credit earned in that earlier period is automatically—in all of these contracts—recognized and offset on those rising prices.

This is not out of the ordinary. It is just that the mechanism, because of necessity, is somewhat different in Alaska.

Mr. VOLKMER. I have no further questions. The gentleman from Washington.

Mr. MORRISON. Just a quick question, primarily to Mr. Robinson. How big a hole are we digging with the cancellation of the contracts? I know that speech on the bill in the Interior Committee, the chairman and I do not choose to adhere to that—to approach it that way. What sort of threat is posed?

Mr. ROBINSON. I think we are going to take a look at that next week with CBO, and sit down and start an analysis on that that we can provide—

Mr. MORRISON. Is that process going to be formalized for its potential?

Mr. ROBINSON. We will at least go through some calculations to come up with that. I have not started on that, but I would be happy to send it up to you when we get there.

Mr. VOLKMER. Are you trying to tell me there may be no costs to the Government?

Mr. ROBINSON. No, I am not saying there may be no cost. I am just saying that I do not know what they will be.

Mr. VOLKMER. Fine.

Mr. CRAIG. Could I answer the—the Alaskan Pulp Corp. has a memorandum from a law firm that has looked at this question and raises many of the points that were raised earlier as to the nature of the damages, and their estimate is \$700 million to \$1.1 billion, depending upon—as opposed to the \$150 million CRS came up with. And CRS relied on one decision which was never appealed, and the facts appear to differ.

So there is considerable doubt as to the validity of their effort.

Mr. MORRISON. Is it possible that the Ketchikan figure would run as high as what Mr. Craig—

Mr. CRAIG. This is a total.

Mr. MORRISON. Is that the total?

Mr. PIHL. At last year's hearing, I believe we submitted to the committee and the record a legal memorandum. I have an additional copy of that that I would like to submit, if you would like, on the matter of legal analysis of contract termination.

Mr. VOLKMER. You may submit it again to the committee for the files. I would say it is no problem.

[The material is held in the committee files.]

Mr. PIHL. Thank you.

Mr. CRAIG. Mr. Chairman, with apologies, I ask to amend my statement regarding that number reflecting the possible values, or the possible damages for both firms be amended to say that Ketchikan should not be considered on advice of counsel. They would wish me to withdraw that, and as a forester rather than an attorney, I would not want to get into trouble.

Mr. VOLKMER. OK, fine.

Mr. PIHL. Let me say that on contract termination, I think No. 1, that it is clearly bad public policy to be cancelling contracts. What contracts would be next? To the extent that there are concerns in the contracts, they should and can be addressed, and we have shown that record, and we think that it should continue throughout the negotiation process.

I would appreciate the direction of your committee to any areas of concern, and we think the Forest Service and Ketchikan Pulp could give real serious thought to what you pointed out.

One thing that really bothers us is to see that the question of issues on individual contracts would seem to drive legislation, that would effect so many people and communities of southeast Alaska. I think that is very unfair to the people as opposed to the negotiation process.

Mr. MORRISON. Thank you, but of course we recognize the price associated with the social side of the agenda as well.

Thank you, Mr. Chairman.

Mr. VOLKMER. I have no further questions. The gentleman from Indiana.

Mr. JONTZ. Just one more question. Late this afternoon we are going to hear statements from the Governor's office in Alaska. I understand the part that we are going to hear is about the efforts of a group called the Southeast Conference, and try to reach some sort of compromise, or some agreement over management of the Tongass, and my understanding is this group represents various chambers of commerce and what-have-you in southeast Alaska.

Are you familiar with the proposal or arrangement or agreement that has been adopted by the Southeast Conference?

Mr. SILVER. Yes, I am.

Mr. JONTZ. Would you care to describe the grievance to us as an instant replay?

Mr. SILVER. Sure. As I understand it, the agreement was adopted by a 6 to 5 vote by the conference, so it was not by any means a consensus. It provides for land use which we at the ALA interpret to be similar to Senator Murkowski's bill, which insures that a 4.5 billion board feet figure is in place. But it also makes clear that the language is responsive to annual market demand.

It also provides for what are called Fishery Enhancement Areas, I believe, that a number of areas are specified by name, but no maps had ever been produced. I have concerns about a number of those areas because a number of those areas have existing timber operations, or approved plans for which there is no working substitute timber if those areas were included. Until we see maps it is very hard for us to judge.

Mr. JONTZ. The statement from the Governor's office this afternoon says that "Southeast Conference has proposed language which authorizes the Secretary to provide up to 4.5 billion board feet per decade subject to market factors and multiple use of services." That is the statement of the Governor's office.

Do you think that is a fair summary of what the conference proposes?

Mr. SILVER. I think it is a fair summary, and as I said, I discussed it with the Forest Service. The ALA participated in the Southeast Conference—the timber managers at the Southeast Conference could not be here today.

We heard it to say that it insures 4.5, but be flexible on the annual harvest based on market demand. We basically agree with that concept, but I think the language needs to be tightened up a bit to make that clear.

Mr. JONTZ. We will hear that testimony this afternoon. It does seem to me that up to 4.5 represents—I take it your ALA position is not in agreement with the conference?

Mr. SILVER. Not with everything specifically with the conference. As I said, we have some real concerns with the language, and until I see maps and understand whether it will affect the ability to reach 4.5 or the ability to continue existing operations—

Mr. JONTZ. I appreciate that, and please let us know of your willingness to support changes in the provision based on what happens in those sessions.

Mr. VOLKMER. The subcommittee will have a recess until 1. At that time we will hear from the panel of Mr. Metcalf, Mr. Mehrkens, and Ms. Hunt.

[Whereupon, at 12:30 p.m., the subcommittee adjourned, to reconvene at 1 p.m., this same day.]

AFTERNOON SESSION

Mr. OLIN [acting chairman]. We would like to resume the hearing, and we have before us the panel consisting of Mr. K.J. Metcalf of Southeast Alaska Conservation Council of Juneau, and he will be accompanied by Mr. Steve Kallick, staff attorney. Also we have Mr. Joseph R. Mehrkens of Southeast Alaska Natural Resources Center of Juneau. Mr. Mehrkens, we are glad to have you. And we have Ms. Fran Hunt, resource specialist/forester, division of public lands and energy of the National Wildlife Federation.

We are very happy to have you all here. We want you to know that your written testimony will be made a part of the record, and feel free to summarize in any way you feel comfortable.

We will go in order of the names on my list with Mr. Metcalf leading off.

STATEMENT OF K.J. METCALF, VICE PRESIDENT, SOUTHEAST ALASKA CONSERVATION COUNCIL, ACCOMPANIED BY STEVEN E. KALLICK, STAFF ATTORNEY

Mr. METCALF. Thank you, Mr. Chairman. I do appreciate the opportunity to be here. For the record my name is K.J. Metcalf, and I live in Angoon, AK, in the heart of the Tongass National Forest. I operate a trading company. I represent SEACC, Southeast Alaska Conservation Council, and in my background of 26 years with the Forest Service, 20 of those years on the Tongass National Forest, where I was involved in public resource issues, education, and land planning.

From 1978 to 1982, I was manager of the Admiralty Island National Monument for the Forest Service. In 1982, I opted to take an early retirement from the Forest Service because I was so disheartened by the type of management that was going on. It was a timber-at-any-cost kind of management.

I believe that my background in Forest Service planning, my familiarity with the Tongass issues, and the fact that I represent Southeast Alaska Conservation, some 143 groups, which are really grassroots organizations, leads me to provide you with some important perspective, I think, on the Tongass issues, and how H.R. 1368 addresses those issues.

Sitting with me is Steve Kallick, a staff attorney for SEACC, who has a wealth of knowledge on the 50-year contracts, and I urge that you read his statement which is appended to my statement, and that the questions that the committee has in regard to the long-term contracts—I am sure that he can answer.

I think H.R. 1368 is a good start. We support sections 3 and 4, which eliminates the 4.5 billion per decade harvest level, and the \$40 million subsidy. Section 4 directs the Forest Service to balance multiple use.

I think if we go back to 1978 and 1980 when the Tongass land management plan was being crafted, and was being consummated with ANILCA, I was an important part of that planning process, and from my personal experience, and the documents that support it, that plan had a number of elements in it. One of those elements was a 4.5 billion per decade allowable harvest, and that actually allowed an increase over the existing level, and allowed for a moderate increase in the timber industry.

In addition to that key element, there were other key elements. The Tongass plan said that there would be protection for fish streams, and it did not say some of them but all of them. That there would be a provision for vital compilations of wildlife, and there would be provisions for subsistence and recreation and tourist and industry. I am here to tell you that that was the deal, and you have all heard that a deal is a deal.

That deal has not been kept. The only element of that deal that has been kept is the 4.5 billion per decade. As a result of keeping that it has been at the cost of the other elements, the other agreements. There has been substantial "high grading" going on in the Tongass. In 1980 to 1986, the average fall per acre that was harvested was 54,000 board feet. The Tongass land management plan substantiated by a directive of the Forest Service to harvest 26,000 board feet per acre.

What you have to understand, too, is that what is being harvested is the best of what is left. Before this all took place, 50 percent—actually 52 percent—of the cream of the Tongass has already been harvested.

As I have said, this has created enormous conflicts in the Tongass, which has grown to a national scale. I believe that this winter is a good indicator of the magnitude of those conflicts. There has been substantial landslides because of heavy rains in December, and a number of salmon spawning in rearing streams. Those landslides were most severe in areas in the north. Without there would be damage done to those salmon streams.

In addition, the heavy rains followed by moderate snow, very cold weather, thousands of Sitka black-tailed deer have been forced from the summer range into the high-volume old-growth stands at sea level. This is where they can survive. This is their only chance for survival when a severe or moderate winter—like the one that we are having now.

The problem is that most of those old-growth stands, or a number of them have been harvested, and the deer have been forced out onto the beach and they are most likely dying by the hundreds as I speak.

In the past the Forest Service has taken credit for the high levels of populations of the deer and record numbers of salmon. I wonder if perhaps they would also shoulder the responsibility as those compilations decline.

The conflicts that we see in southeast Alaska are enormous, probably the greatest conflicts I have seen on any national forest in the system.

The first Tongass land management plan did not work, and we are now being asked to wait until another land management plan is complete, and I am here to tell you that I think it is not going to

work either. The new plan is on a fast track, because there is a political commitment by the Chief of the Forest Service to have a draft out this December.

Anytime that a land management plan with the complexities of the Tongass is on that kind of schedule, errors are going to be made, shortcuts are going to be made, and it opens the plan to enormous litigation.

Several elements are missing from that plan that I am very concerned about. One is the analysis of the management situation. That simply is the basis for building the alternatives. That analysis says what the forest can provide. That has not been provided to the public. No one has really seen it yet, yet alternatives are being developed. It is out of sequence. It is in violation of the NFMA regulations and the Forest Service's own direction.

Second, a major omission is the criteria for selecting the preferred alternative. Again, this—if the Forest Service is serious about public involvement in the process, and it is legitimate, then these elements must be put into their proper place, and they must be put before the public.

It leads us to believe that the only thing that we can expect from the Forest Service at the end of this plan is the status quo, and that is not going to solve any questions. The Deputy Chief testified yesterday, and he felt that the Forest Service was unable to get the competing warring parties together, and to reach a consensus. That is the purpose of the purpose of a land-management plan. If it cannot be there then it has to be done wither in the courts or in Congress, and that is where we find ourselves. So the status quo situation will simply not solve the problems.

In H.R. 987, the—I want to speak to the contracts—calls for renegotiation of the contracts. We feel that it simply must be cancelled. It is imperative. Mr. Steve Kallick has some excellent arguments as to why.

I think it is important to realize that while we have heard today that cancellation of the contracts will close the mills—that simply is not the case. I think it was alluded to, even, several times that is complicated by the timber industry.

We are talking about replacing the 50-year long-term contracts with short-term timber sales. The mills are guaranteed 300 million board feet a year. That is not 450, but 300 million board feet. With short-term timber sales rather than the long-term contracts simply means that they would have to be more competitive in the marketplace, but they have enormous advantage in that they have their infrastructure in place, they have their million capacity, and as we have heard that the timber market is on the up-swing—things have never looked rosier, and the prices are going up.

I think that H.R. 1368 needs to talk to the protection of the key fish and wildlife areas. These are areas—and we have some 23 of them in H.R. 987—that have been identified by a number of groups, not just environmentalists, but fisherman, hunters, Native corporations, Native villages. These 23 different areas have been identified as areas where logging really should be prohibited.

We feel that wilderness is appropriate, and we feel that that is going to help resolve the other question.

In closing, let me just summarize that H.R. 1368 is a positive step forward that eliminates the 450 billion per decade and drops the \$45 million subsidy. It directs the Forest Service to multiple-use management, which is desperately needed. It must, however, cancel the contracts, we feel, in the 23 key fish and wildlife habitat areas needed for protection. We feel that it would strengthen the bill.

In addition to my testimony, I have several documents here from people in the Southeast Alaska organizations that call for extensive Tongass reform, and I would like these to be added to my statement if the committee so pleases.

Thank you very much.

[The prepared statement of Mr. Metcalf appears at the conclusion of the hearing.]

Mr. OLIN. Without objection these additional documents will be received for the record and the committee files.

Does Mr. Kallick have anything to add at this point?

Mr. KALLICK. Mr. Chairman, my statement is appended to Mr. Metcalf's, and I have nothing else to say at this point in the process.

Mr. OLIN. OK. Next, we have Mr. Mehrkens.

STATEMENT OF JOSEPH R. MEHRKENS, EXECUTIVE DIRECTOR, SOUTHEAST ALASKA NATURAL RESOURCES CENTER

Mr. MEHRKENS. Thank you, Mr. Chairman. I am Joe Mehrkens, and I am the executive director of the Southeast Alaska Natural Resources Center located in Juneau, AK. The center is a joint venture between the Wilderness Society and the Underhill Foundation with express purposes to deal with Tongass resources and budgetary issues.

I have been in Alaska for the past 14 years—southeast Alaska. Much of that was with the Forest Service. I, like K.J., resigned in 1987 after 17 years of service, most of that in Alaska. My last position there was forest economist for the Alaska region. I have completed the timber supply and demand reports that are required under the ANILCA legislation.

Like K.J., I urge you to pass sections 3 and 4. We do have some reservations about section 2. I think it is a good starting point, and I would like to focus the rest of my testimony on why I think section 2 will inhibit the objectives of 3 and 4.

My reservations about section 2 are illustrated in the following discussion of long-term timber sales contracts held on the Louisiana Pacific Ketchikan, the Alaskan Pulp Corp. on the Tongass. These contracts, as much as the mandatory timber supply and permanent appropriations created by Section 705 of ANILCA, control management of the Tongass and supersede that forest-planning process. In fact, despite several forest-planning processes that I was involved with in the past, the Tongass management still remains inflexible, unaccountable, and inefficient.

It is my opinion that the root cause of these difficulties lie in the rigid provisions of the long-term contracts.

Terminating the contracts would be the first major step in assuring that all forest-dependent industries and a broader range of the public are afforded a real opportunity to help set management pri-

orities for the Tongass. The Forest Service has made a practice of ignoring changing economic conditions and increased demands for nontimber resources on the Tongass. Now, the Tongass faces severe problems that cannot be resolved within the context of the long-term timber sale contracts.

The failure to effect sound management on the Tongass is not a failure of planning, *per se*. It is a failure to remove the incentives that heavily bias Forest Service decisions toward narrow, timber-first policies. The time has come to strip away the constraints imposed by the contracts and discontinue the inequities, that I am going to describe.

First, continuing the advantages provided under these contracts are highly favorable to the holders gives them a preference and perpetuates natural monopolies. Second, the long-term contracts by the Forest Service to make more timber available to the pulp mills than the firms need. Based on Forest Service information, we estimate that the agency has spent over \$200 million in making timber available that will never be harvested by the contract holders.

From 1961 to 1968, the Forest Service used taxpayer's dollars to prepare at least 1.6 billion board feet of timber on the two long-term contracts, and then excused the companies the obligation to harvest the timber. This \$200-million figure is significant. It would have been enough to run the entire Tongass timber program, including the long-term contracts for a decade prior to ANILCA.

The financial consequences of high grading are alarming. Most important, high grading puts the future timber supplies in jeopardy. Whatever the quality that we have to the remaining timber base, only increased competition for this timber will insure a more efficient use of the timber resource and reduced public subsidies.

We also know that the long-term contracts allow the pulp mills to exploit the timber-appraisal process. For example, after the anti-trust proceedings initiated by an independent timber company against the pulp mills, the Forest Service estimated that it lost up to \$80 million because of deliberate manipulations of the timber-appraisal process.

Today, even greater problems may exist, but on the marketing side of the appraisal process. Because the Alaskan Pulp Corporation is part of a multinational firm, it is unclear whether pulp sales are merely internal transactions within a large consortium of owners or an actual arms-length transaction in a competitive market.

Modifying the contract provisions associated with the long-term contracts are the fourth major cost to the American taxpayer. It is the product of the Forest Service's willingness to improve the economics of timber harvesting for the industry and satisfy the demands of the pulp mills. For example, the Louisiana Pacific Ketchikan requested and received emergency stumpage rate redetermination under their long-term contracts when market conditions began to deteriorate in the mid-1980's. The rate redetermination also reduced the stumpage credits for the purchase of road credits that we have talked about this morning. In other words a payment-in-kind for building log roads.

The company, LPK, objected. The Forest Service eventually allowed the company to buy the road credits in dispute against

future stumpage credits. So in other words they were allowed the benefit of lower stumpage prices, but kept the road credits available at the higher stumpage rate.

In return for this substantial benefit, the Forest Service obtained a stumpage escalation clause from LPK, and the right to charge the utility volume against the total timber harvested. The tradeoff is unfair to the Government and the taxpayer because LPK has an enormous—or did have an enormous—backlog of purchaser road credits that will offset future stumpage increases in the foreseeable future.

The Alaska Pulp Corporation did much the same with their contracts. As protection of sustaining the loss of their road credits, APC was allowed to transfer most of its credits from the long-term sale to other sales. In addition, APC subsequently filed an \$85 million contract dispute against the Forest Service from among other things—in the same 5-year period—for not supplying profitable timber.

The past 8 years have demonstrated that the timber program objectives have not been realized. The timber program has more than doubled in size largely because of the Forest Service objective to spend all of the money available to them under ANILCA. Yet, the proportion of timber employment in the Tongass remains 40 percent below the levels—that is, today—prior to ANILCA. This is despite the reciprocal upswing in the Tongass timber market that we are experiencing.

The lessons are readily apparent from the experience of managing the Tongass National Forest for the benefit of the two pulp mills. First, employment will, now and in the future, be controlled by market demand. As the market goes up, employment will go up, and vice versa. Second, a bureaucratic urge to spend available monies is irresistible. Moreover, the Forest Service has cut spending for nontimber programs in the forests by about 30 percent since ANILCA was enacted. The unreasonable emphasis for timber is partly due to the fact that too much timber money was freely made available.

More than half of the unneeded expenditures identified by the GAO were justified by ever changing rules and policy interpretations. This morning we looked at H.R. 1011. We looked at where that money would come from. There was \$131 million of excess money spent in the Tongass from 1981 to 1986 that could have been spent for other priorities.

Looking to the future, it seems likely—I agree with K.J.—that the Forest Service will use the planning process to reinforce the status quo. In fact, the TLMP revisions will produce the same results as the previous plan and ANILCA. Excessive road building and the wasting of millions of taxpayer dollars.

The Forest Service has refused to explain adequately their decision criteria that will be used to select a preferred alternative coming out of the forest land revision. This action—or this uncertainty—is carried forward in the residents of southeast Alaska. In a recent opinion poll conducted by the Sealaska Corp., they found that residents generally support the forest-planning process but are not convinced that it can produce major changes.

Maintaining the status quo is just inconsistent with the needs of the diverse forest-State-economy in southeast Alaska. Again, based on the Sealaska, a clear majority of those who live in southeast Alaska believe that: now is the time to break from the status quo, that the management of the Tongass should promote the growth of nontimber industry—that commercial fishing is the most important industry now and in the future, and that the new companies should be allowed to assess the Tongass timber base. And finally, that areas that deemed important to subsistence, recreation, tourism, and fishing should be removed from the timber base, even if it means timber jobs may be lost.

I urge the members of the committee to pass sections 1 and 4 of H.R. 1368. I recommend that the committee amend section 2 to terminate the long-term contracts in the public interest. These actions will open the door for full public participation in the planning process, and help all forest-dependent industries to help set the management priorities for the Tongass.

That concludes my oral presentation. Thank you.

[The prepared statement of Mr. Mehrkens appears at the conclusion of the hearing.]

Mr. MEHRKENS. I would also like to submit the statement of Senator Gaylord Nelson, of the Wilderness Society for the record.

Mr. OLIN. Without objection it will be received for the record.

[The prepared statement of Mr. Nelson appears at the conclusion of the hearing.]

Mr. OLIN. Thank you, Mr. Mehrkens.

Ms. Hunt.

STATEMENT OF FRANCES A. HUNT, FORESTRY RESOURCE SPECIALIST, DIVISION OF PUBLIC LANDS AND ENERGY, NATIONAL WILDLIFE FEDERATION

Ms. HUNT. Thank you, Mr. Chairman. I am Frances Hunt. I am the forestry resource specialist with the National Wildlife Federation.

The National Wildlife Federation is the Nation's largest conservation organization. National Wildlife and our Alaska affiliate, the Wildlife Federation of Alaska, are both actively involved in forest-management issues.

Ending environmentally destructive activities which are an unintended consequence of ANILCA are high priorities for both of our organizations. High volume, old-growth stands with over 30,000 feet of timber exist on only about 4 percent of the Tongass, yet it is these biologically important wildlife habitats which are being cut in an ecologically and in an economically unsound manner.

The effects of Tongass timber management on several important species, for example the black-tailed deer, the brown bear, salmon, and the bald eagle are detailed in an appendix attached to the statement. Mr. Metcalf gave a good description this morning of some of the current effects on some of these species, and in the interest of time, I am not going to go into a great detail on the wildlife impacts, but I would like you to note that the impacts that Mr. Metcalf mentioned and the impacts in our appendix represent only the effects on a small number of hundreds of species which depend

on the Tongass for their survival, and timber harvesting has a different impact on each of these species.

Mr. Chairman, the National Wildlife Federation has already gone on the record in support of H.R. 987 to address the wildlife concerns that I just mentioned and to reform the management of the Tongass National Forest. We are supportive of several provisions of H.R. 1368, particularly sections 3 and 4.

Like H.R. 1368, H.R. 987 will repeal the environmentally destructive timber harvest targets set by ANILCA, and insure that timber management on the Tongass is funded in the same manner as it is in other national forests. We believe these provisions will help end the destruction of fish and wildlife populations and habitats in southeast Alaska, and help insure the balanced management of the Tongass natural resources.

Repealing sections 705(a) and 705(d) of ANILCA will allow management of the Tongass to proceed under the same funding mechanisms, the same harvest-level determination, and the same land-suitability requirements as guide any other national forest in the United States.

These changes will allow Tongass managers to make forest-management decisions that adequately reflect both market conditions and environmental safeguards. Following the passage of H.R. 987, or similar provisions of H.R. 1368, the Forest Service would be able to develop resource-management policies for the Tongass that reflect the forest's unique ability to provide both commodity and non-commodity resources to southeast Alaska and the nation.

Elimination of the two long-term contracts would also provide both economic and environmental benefits for the region. We believe that terminating these contracts is critically important to the sound management and multiple-use management of the Tongass. These contracts have allowed timber companies and the Forest Service to circumvent Federal laws designed to ensure multiple-use management, wildlife protection, and environmental protection on the Tongass.

These contracts have also restricted the development of a competitive timber industry in southeast Alaska. There is no justifiable reason for Congress to continue to facilitate destruction of critical old-growth forest in this economically damaging fashion.

We would urge you to amend H.R. 1368 to require the termination of these contracts.

Although some witnesses have argued that legislation to reform management of the Tongass should not be passed until the Forest's Land Management Plan is revised, we believe that the passage of Tongass reform legislation would benefit the planning process and improve the quality of the final plan. The amendment of section 705 and the termination of the two long-term contracts will help give the Tongass managers the flexibility they need to manage the forest for all of its resources.

No other forest has a mandated timber entitlement, and no other national forest has a timber-supply goal constraining its management options. Currently, resource management decisions on the Tongass are driven by the 4.5 billion board foot timber goal of section 705 and the two long-term contracts. The Forest Service has

interpreted the 4.5 goal as a mandate to be achieved without regard to timber demand and environmental conditions.

The agency itself has stated that "legislation with specific management direction reduces our flexibility to respond to changing conditions." Repealing section 705(a) does not limit the Forest Service's ability to provide an adequate supply of Tongass timber. Rather it provides the opportunity to provide a long-term management plan for the forest.

The effect of the long-term contracts on the Tongass is evident in the fact that a full two-thirds of Tongass timber is sold under these contracts, which has led to high grading of valuable old-growth stands. These contracts, in the words of an agency contract-review team, "severely restrict the agency from properly managing the forest covered by the contract allotments."

We have heard no convincing arguments that the elimination of section 705(d) and the termination of the long-term contracts will undercut the forest planning process. On the contrary, I believe that these reforms could help address certain public perceptions, as noted by SEACC and others, that forest-management decisions on the Tongass are rigged, and will not be adequately re-examined during the planning process.

Successful forest planning depends on the full participation of the public in the development of the land-development plan. If the public believes the agency is basically unwilling to consider changing current management directions, then full public participation will be unlikely.

The National Wildlife Federation is very concerned about this reported lack of faith in the planning process. We believe that eliminating unusual legislative and contractual restraints on Tongass management can help us restore the credibility of the forest-planning process.

In closing, Mr. Chairman, and I would simply like to restate that I feel that the repeal of sections 705(a) and 705(d) and the termination of the long-term contracts can only improve the opportunity for the Forest Service to develop a land-management plan that provides balanced management for the Tongass National Forest.

Thank you.

[The prepared statement of Ms. Hunt appears at the conclusion of the hearing.]

Mr. OLIN. Thank you, Ms. Hunt.

We have some questions that we would like to ask all of you, and I am sure that the chairman will have some as well, but let me just start off.

To be sure that I am thinking about this thing right, the people that have testified here talked about the management practices of the Tongass. Are you talking about that whole Tongass area of 17 million acres?

Mr. METCALF. That is correct.

Mr. OLIN. And in that 17 million—and it is wilderness, I believe—is suitable for timbering. Is that right? Is that 1.7 million acres?

Mr. METCALF. It is more like 1.4.

Mr. OLIN. 1.4? And what is the—the remainder is carried not as wilderness—it is forest lands in the mountainous lands that are not suitable for timber?

Mr. METCALF. I think I was in error at that time. I do not believe that that number I gave you is correct. I am not sure what it is.

Mr. KALLICK. The total commercial forest land base is, I believe, 5.6 million of which a large portion of that does not meet our criteria for harvest. Some of that area is in the wilderness, and some of that which is suitable for timber harvesting is approximately 1.7 million acres.

Mr. OLIN. I guess I am right that the area that you are talking about here is suitable for timbering is 1.7 million acres. Out of that the timber percentage for the whole thing.

When you talk about the Forest Service and the management practices and the amount of land within that planning process is 1.7 million acres. Is that correct?

Mr. METCALF. That is primarily correct.

Mr. OLIN. Then you said that in your opinion the Forest Service has somehow restricted currently the contractual agreements from developing a plan for the 1.7 million acres that you would consider more satisfactory.

Would you be more specific about what is wrong with the management plan in regard to that 1.7 million acres?

Mr. METCALF. Yes. I think that the record will show that the Forest Service has been very paternalistic toward the timber industry, and looking at a number of resource-management plans, scientific information needs work, the needs of the local communities have been ignored at the expense of getting that timber out, and when we asked the Forest Service why are we going into these—what is driving you to do this? They simply say "we have to because of the 4.5 billion per decade target," and the only way they can get it is to go into these highly controversial, very sensitive areas.

As a sense of these other resource topics that we talked about, and that is in part why this tremendous controversy has erupted in southeast Alaska because we are talking about a limited number of acres where the real issue is focussed—that is correct—and because of the congressional direction and the two long-term contracts, the Forest Service says that their hands are tied, and that is what they have to do, and the other values fall over into the wayside.

Mr. OLIN. It was also discussed this morning that the amount of timber, actually the acreage, actually harvested has been running 700,000 acres a year out of the 1.7 million? I suppose that is three-tenths of 1 percent per year so that in the last 10 years there would have been harvested 3 percent of the whole area classified as suitable for timbering.

It escapes me, and I did visualize it properly—you have strong objections to what they have done with that community. Most of the forests have remained untouched—97 percent of them remain untouched in that whole area.

Mr. METCALF. Let me try to phrase it like this. Between 1980 and 1986, the Forest Service was logging per acre 54,000. That is in the key wildlife, key fish, and key subsistence and recreation acts. The Tongass Land Management Plan and ANILCA directed them to go

into the marsh lands, or the controversies or less are far less critical of wildlife and fisheries.

But that is not where they have gone. They have been forcing the high volume in the critical areas that are most likely in our communities where the conflicts are the greatest. I hope that I am making myself clear that while there are many acres that are not suitable for timber harvest, that really is where the issues lie. They lie in these key areas, and the Forest Service itself has said that they will drastically reduce the Earth populations over the next 30 years, and half of the watersheds will be lost. 50 or 75 percent of the population will be reduced. It has a substantial impact on the other species on the Tongass.

Mr. OLIN. Are you saying that they are somehow prevented from developing a plan that is more of a balance? They will not do it.

Mr. METCALF. I am a strong advocate of forest planning. I think it is a wonderful process, and I had great hopes of it working on the Tongass. I am saying that they cannot produce a balanced plan, and talking privately to people within the Forest Service I know that they agreed. They will not make a public statement, but they simply say that they have no choice, they have to get the timber out, and they are going into very sensitive areas to get it.

Mr. OLIN. The timber that they are taking out—has this been in terms of unsuitable timber—is that what you are referring to, or is it the fact that they are close to habitation or close to stream life?

Mr. METCALF. I suppose all of those things. You have to understand that more than half of the high volume, old-growth timber has already been cut on the Tongass National Forest. So we are talking about what is left.

Particularly in the 1960's and the early 1970's there was a considerable amount of damage done to the habitat because of the logging regulations and oversight was very loose. We are talking about what is left, and that is where all of the issues are focussed, and it is in these high volume, old-growth stands that are nonremovable—that once they are cut they are gone for perhaps 300 or 400 years.

Mr. OLIN. You are saying—would it be possible that the Forest Service was moved to do so, to develop a national plan that could be carried out under the congressional arrangements. If, for example you were writing the plan, could you carry out the contractual arrangements to deliver 300 million board feet a year?

Mr. METCALF. It is a significant problem because of the contractual agreements that simply got in the way of multiple-use management, and perhaps Steve—

Mr. OLIN. You do not think the land would produce—to stay away from this old-growth timber. Stay away from that, and if you cannot get enough of that board feet out—is that what you are saying?

Mr. METCALF. No, I am not saying that at all. I am saying that in these lower volume stands there are a considerable amount of timber growth, and those have been ignored for a number of reasons that focuses in on the high-volume old-growth stands much to the detriment of the natural resources in the Tongass.

Mr. OLIN. If you were able to force the Forest Service to come up with a balanced plan, would it be possible for them to do such a thing and abide by the contracts?

Mr. METCALF. I believe that the constraints of the 4.5 would remove, and the contracts were cancelled, and the short-term timber sales would replace them, then yes, they could come up with another plan. But short of that, I think they could not.

Mr. OLIN. You do not think you could produce 4.5?

Mr. METCALF. You can produce probably something slightly less than that, but it would still be very adequate for a viable timber harvest.

Mr. OLIN. You also said that the timber—that you do not need that volume of timber of 4.5 million?

Mr. METCALF. The contractual agreements were 300 rather than 4.5.

Mr. OLIN. You have to prepare 4.5, and then you said that it could be harvested as low as 300 a year?

Mr. METCALF. That is right.

Mr. OLIN. Mr. Kallick.

Mr. KALLICK. Thank you, Congressman. The actual harvest can go well-below 300 for the contractual floor, because that is supposed to require to be harvested by the companies—to maintain the harvest over the last approximately years to develop 185 million board feet on the Tongass.

Mr. Silver, on the previous panel had said that the 1988 harvest was 339 board feet, but it was including utility logging in that figure, and it was not included in the 450 million board feet calculation. The actual figure for sawdust, which is the same number that we use in all of the discussions was 331 for the last year which was supposedly a boom year in the timber industry.

Mr. OLIN. Do you think the present employment could be maintained with the present companies?

Mr. METCALF. When you look at the timber employment in southeast Alaska, it matters a great deal if you include the need for the support of employment. They elected to eliminate their timber over a period of time. The 4.5 that we have talked about in the plan allowed for a modest growth in the timber industry, and over time there may be some loss in timber jobs, but I feel very confident that they will be replaced by a growth in other industries. Recreation is one of the fastest growing industries in southeast Alaska.

Mr. OLIN. Mr. Volkmer, would you like to comment?

Mr. VOLKMER. I was sitting here listening, and we have not come to an answer yet, and I think it is very important, and that is under your scenario, how many board feet would be cut per year?

Mr. METCALF. Probably between 350 and 400.

Mr. VOLKMER. Between 350 and 400?

Mr. METCALF. Yes; 350 and 400 would be available even with putting these 23 areas that we have identified in the protection of the wilderness.

Mr. VOLKMER. That would be using—that being able to be cut?

Mr. METCALF. Yes, sir. That is the Forest Service's own figures.

Mr. VOLKMER. We will find out from them later. I have some different figures, as I remember last year. Does everybody else agree on that?

Ms. HUNT. We would put it in the 350 and 400 range.

Mr. MEHRKENS. One of the comments that came up this morning is that without the investment to cut the maximum—if the market is there—but fall down to 338 because it eliminated all of the marginal lands. We only have to look to the other national forests across the country, and I believe that about 70 out of 122 already have marginal lands in their timber base also.

So that would not be a constraint. I agree with what they are saying between about 338 and 400.

Mr. VOLKMER. So, you are saying that without intensive management, you would not cut that much?

Mr. MEHRKENS. I am saying that with the normal appropriations and the type of management that is carried out in any other national forest—at least 70 of these 122—that the cut should be somewhere between 340 to 400.

Mr. VOLKMER. The other question that I am wondering about is last year when we had this legislation up for testimony, I do not remember anybody testifying to do away with completely with the contracts.

Mr. KALLICK. I believe that most of us on the conservation panel did testify on terminating the contracts. We supported renegotiations and starting over with timber sales.

Mr. VOLKMER. All right. I have no further questions.

Mr. OLIN. Let me follow up on that question on the contracts. You said this morning that the cost of the government to terminate the contracts would be 1.1 billion. Do you think that is accurate? Mr. Kallick.

Mr. KALLICK. Congressman, I think the lessons are highly inflated, and based on judgment that the Congressional Research Service conclusions—they did say this question in 1970—came to the conclusion that based on previous precedent when the Government terminated timber sales they created additional wilderness areas that did damages that the Government would have to pay. The damages—if any—would be between \$21.5 million and \$150 million. That was based on the Hedstrom Logger Case which was alluded to but not named.

Mr. OLIN. You are talking about something that is one-tenth—

Mr. MEHRKENS. May I comment on this?

Mr. OLIN. Yes, Mr. Mehrkens.

Mr. MEHRKENS. I have come to a completely different conclusion on that. I do not think we owe them a thing. I do not think it would breach the contract nor do we owe them anything.

We have heard this morning from the vice president of LPK. He said that if he was forced to compete for timber on the Tongass that it would not cost them any more dollars per thousand. The reference that they are citing—the 1.1 billion, or whatever it is—is based on the Redwoods case. The Redwoods case was clearly the taking of private lands, and if you were to follow this logic through, I would suggest that on the Tongass the timber is not ours and the public's but rather in the private domain.

So I think there is a gross overestimation there. I think in the Hedstrom's case is where you look at the replacement value of the timber. When you look at the replacement value, I do not think it is going to cost anything.

Mr. OLIN. You mentioned that cancelling the contracts has some kind of liability attached to it?

Mr. MEHRKENS. That is correct. If the measure is replacing costs, and if Mr. Pihl is correct—and I do not have any reason to believe that he is not correct—they should be able to compete and open up their timber base, and whatever increase there may be in costs would be relatively small.

Mr. KALLICK. If I may add something here. The Hedstrom case, the government decided to award damages, defined what those damages should be, and they defined it as timber and out-of-pocket costs to the companies involved. In the case that the Government's decision to say what termination damages would be was upheld by the court. It essentially set that Congress could set the parameters of what those things should be.

Mr. OLIN. We will not settle that issue here, but that is a very critical issue.

The gentleman from Washington have any questions?

Mr. MORRISON. Mr. Chairman, I have no questions.

Mr. OLIN. The gentleman from Idaho.

Mr. Chairman.

Mr. VOLKMER. I just have one more—I want to apologize.

Why will they be able to cut these 400 million and still do the things that you want done?

Mr. KALLICK. Well, to answer that question is which acres that get that 331. I think we are presuming it safe to say that they can cut 331 to 400 million in the 23 areas that we have identified as fish and wildlife would be preserved by the Wildlife Federation. If the industry is made good to cut on marginal lands, then we should not have the same conflicts. These areas would highlight for timber in the same areas that would be highlighted for wildlife.

Mr. VOLKMER. Are you saying high volume or high value?

Mr. KALLICK. Both—high-volume timber is high-volume fish and wildlife in the Tongass National Forest.

Mr. VOLKMER. Thank you.

Mr. OLIN. If there are no more questions, I would like to thank the panel for their testimonies. We will move on to the next panel.

The next panel consists of two people, Mr. Eric Laschever, special assistant to Governor Cowper for the Tongass National Forest, and Mr. David Anderson, southeast regional supervisor for the Division of Wildlife Conservation, Alaska Department of Fish and Game.

Mr. VOLKMER. Your statement will be made part of the record in full. The committee will review them.

Mr. Laschever.

STATEMENT OF ERIC S. LASCHEVER, SPECIAL ASSISTANT TO
GOVERNOR STEVE COWPER FOR THE TONGASS NATIONAL
FOREST, ALASKA GOVERNOR'S OFFICE

Mr. LASCHEVER. Thank you, Mr. Chairman. Before I begin, just on a personal note, I would like to thank you and your staff for being very accommodating this morning under very unusual and difficult circumstances.

My name is Eric Laschever, and I am Governor Steve Cowper's special assistant for the Tongass National Forest, and I want to thank you for the opportunity to present the views of the State of Alaska on H.R. 987 and H.R. 1368.

As you know, we have been long-standing opponents to H.R. 987 which cancels the long-term contracts and creates additional wilderness, and repeals section 705 in its entirety. I have a number of statements that I will be supplying to the committee from previous hearings which go into a lot of detail about the basis for that opposition.

What I would like to talk to you about today is the compromise effort that was discussed earlier. Some background on that. Since last fall when the House passed a similar version of the legislation which is pending now, a number of Alaskans, under the auspices of the Southeast Conference have been working to see if they could reach a compromise. As you heard, the Southeast Conference is an organization composed of elected officials and business leaders.

The conference appointed a committee which consisted of a number of mayor's from the number of communities—in my testimony I have listed those out, and I will not repeat it—but they were a balance of the large communities, especially the two towns that have pulp mills in them. One of the smaller fishing communities, and Juneau, which is the capital, and has the diversity of businesses and interests within it.

They did come up with a compromise, and that compromise has since been supported by a large number of fishermen, large and small communities, and Native leaders. Governor Cowper last week announced his support for key components of the compromise.

The State believes at this time that there is support from a broad spectrum of residents to come forward and advocate a balanced and forward-looking approach to management of the national forests. We believe that an approach of conciliation here in Washington would produce a better outcome as far as the communities of the region are concerned, then the confrontation that has characterized the debate in prior years.

I would like to focus the rest of my testimony on a couple of the key provisions of the compromise. The first deals with contract renegotiation. On that score we support renegotiation as opposed to termination. We are concerned that if the contracts are cancelled that the communities in the southeast which rely on timber might be severely impacted by that.

Contract renegotiation would allow the Congress to direct the Forest Service to address some of the problems of the contracts that have been identified, but allow changes to occur over a time frame which would allow things to adjust. I referenced in the testimony a survey that was done by Sealaska which finds that the ma-

jority of southeast Alaska do not support cancellation. We think the idea of renegotiation achieves the purpose and presents a lot less risks.

The second part of the compromise, which the Governor is particularly interested in, is the protection of some of the important fish and wildlife habitat. The State concurs with the Southeast Conference goal of maintaining fishery-related employment and associated protection of anadromous fish streams. The State also supports permanent legislative protection of a limited number of specific areas which possess important fish and wildlife habitat. This special status would not be wilderness, but would prohibit commercial timber harvesting and associated road building. Other activities such as mining, primitive recreation facilities, water and power developments, and fisheries improvements could be permitted. Access would be less restrictive than under wilderness status.

The Southeast Conference came up with a fairly specific list of areas and a fairly well-defined identification of boundaries. I have figures as far as the amount of acreage for each area. If there is any question, I think that the Southeast Conference stands ready if there are any questions about what the specific areas are to clarify that for the committee.

At this time we have not made a final decision about each area or about the boundary for each area, but the concepts and overall impact on the timber base, which would result if the Southeast Conference approach was adopted we think is workable. Permanent nonwilderness protection of a limited number of areas appears to be favored by the majority of the residents of southeast Alaska in the survey which I referred to a minute ago; this topic 76 percent favored such protection while 60 percent did not favor additional wilderness.

The next main element is what to do with Section 705 of ANILCA. As you know from your hearing last year and what you have heard this morning, this topic is perhaps the most difficult issue to resolve. What the Southeast Conference proposed specifically was that the Secretary be authorized to provide "up to 4.5 billion feet per decade subject to market factors and multiple-use concerns." This is the language Congressman Jontz referred to earlier, and what that does is that it increases the flexibility of the Secretary to adjust the timber made available to the industry for the decade.

The adjustment would be made to take into account market conditions and other natural resource values. The State supports Secretarial discretion on this matter. For the record I would just say that we really do not agree with the interpretation of this language that was advanced earlier today. As far as the State's position, it is quite clear that we are supporting Secretarial discretion in using the planning process to get the 10-year goal.

With regard to funding, the State believes that funds will continue to be required to conduct intensive management activities such as precommercial thinning of second-growth stands, and the State supports sufficient funding to accomplish this task.

Finally the Southeast Conference and others have advanced new ideas as far as economic diversification. The State of Alaska is reviewing the regional economic-development proposal that is offered

by the Sealaska Corporation, and at this point would like to compliment the central message, which is the pending legislation should be used as an opportunity to strengthen the diversity of the regional economy.

The State endorses the following concepts outlined in the preparation of the proposal: The need for regional transportation coordination; fisheries enhancement; community stabilization; and promotion of recreation and tourism, including adequate funding by the Forest Service for recreational facilities and trails.

In addition the Southeast Conference has proposed economic diversification fund which would be used to strengthen the southeast economy. This proposal could be adapted to finance a number of elements of the Sealaska proposals such as fisheries enhancement.

We strongly support this concept, and look forward to working with interested members of the committee to develop the idea further.

The State recognizes that in the legislative process it is often necessary to stake a bargaining position to retain room for negotiations with the other house. The State position is not a bargaining position. We offer this compromise not as a new starting point for new negotiations but as our concept of where the legislation will settle when the negotiations will come to an end.

To conclude, the State of Alaska strongly is opposed to legislation which would cancel the long-term contracts and create large amounts of additional wilderness. However, we believe that a bill which would contain the key elements outlined in our testimony today would address the concerns which have been raised in the last 3 years of Congressional deliberation on this issue.

Thank you.

[The prepared statement of Mr. Laschever appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you very much.

Mr. Anderson.

STATEMENT OF DAVID A. ANDERSON, SOUTHEAST REGIONAL SUPERVISOR, DIVISION OF WILDLIFE CONSERVATION, ALASKA DEPARTMENT OF FISH AND GAME

Mr. ANDERSON. Thank you, Mr. Chairman. I am very honored and appreciate the opportunity to bring before you some concerns related to the wildlife habitat issues on the Tongass National Forest.

My name is Dr. David A. Anderson. I am the southeast regional supervisor for the division of wildlife conservation, previously known as the division of game, of the Alaska Department of Fish and Game, and I reside in Juneau.

I hold a Ph.D in wildlife science from the College of Forest Resources at the University of Washington. My Ph.D work there involved the ecology of black-tailed deer in intensively managed forests. I currently supervise all State wildlife research and management programs on the Tongass National Forest. I am here today at the request of the committee to testify on behalf of the Alaska Department of Fish and Game on technical issues related to the impacts of current forest-management practices on wildlife and the

habitat on which it depends. I would like to preface my remarks by saying that I will be speaking for the Department as a professional biologist, and I have no affiliation with any environmental—national or local—or preservation—national or local—interest groups.

I would like to begin by noting that the Tongass National Forest—as has been noted by others today—contains the last major expanse of pristine temperate rain forest in North America. The Tongass supports a diversity of fish and wildlife resources including Sitka black-tailed deer, marten, river otters, mountain goats, and moose, as well as the largest population of bald eagles found anywhere on Earth. Brown bears occur in abundance, and several unique subspecies of small mammals such as the Prince of Wales flying squirrel contribute to species richness and diversity. Abundant salmon streams provide food for numerous carnivores, and the remote wilderness character of much of the region provides refugia from which harvested wildlife populations can be replenished.

It has been suggested in previous discussions and I believe here today as well, that current forest-management practices on the Tongass National Forest do not in fact, place wildlife at risk, because only a very small fraction of the entire land base will ever be logged. You have heard those statistics on numerous occasions today.

Although it is true that most of the Tongass land base will never be logged, it is important to recognize that the most important wildlife habitats occur in the comparatively rare productive high-volume stands that are also of major importance for timber production. Two-thirds of the Tongass is rock, ice, scrub forest, or alpine tundra. The remaining one-third is classified as commercial forest land meaning 8,000-plus board feet per acre. Of this, only 4 percent of the land base, or approximately 627,000 acres is classified as high volume meaning at least 30,000 board feet per acre. Finally, less than 1 percent of the entire land base, or approximately 114,000 acres exists in the highest volume class, over 50,000 board feet per acre.

That is all well and good. But what does this have to do with wildlife and biological diversity on the forest? I think it is safe to say that as a general rule—virtually everywhere on Earth—that the most productive sites for timber or agriculture also have high potential for wildlife production, whether we are looking at areas currently under development or whether we are looking at the tall grass prairies in the lower 48.

The Tongass National Forest is no exception. The high-volume stands on low-elevation uplands or in river and stream bottoms—the so-called riparian systems—where soils are productive, are in fact the focus of the tradeoff between timber production and wildlife. It is in these stands that critical winter habitat for deer exists as well as life history requisites for other species of wildlife such as mountain goats, fur bearers, brown bears, cavity-dependent birds, and numerous invertebrates, many of the relationships between which are not yet understood. It is also in these stands that primary interest occurs from the timber industry.

I want to point out that between 1980 and 1986 inclusive—and I would like you to keep this within the context of what I mentioned earlier concerning the small fraction of the entire land base that

falls into 50,000 board feet per acre—between 1980 and 1986 inclusive—now I am not speaking for the current year because I did not have a chance to analyze those statements—that during that time period the average volume per acre harvested from the Tongass exceeded 54,000 board feet.

If I could just take a moment to very briefly describe to you how I found or arrived at that figure, I think it will help dispel some of the confusion that has occurred over this number. Very briefly, without getting bogged down into a lot of technicalities about timber scaling, let me say that there are two ways that timber volume is measured. One is by the timber cruisers in the forest who measure inventory volume. The second method is water-scale volume, and that is done at the mills. The numbers that you get from those two are different. They are different for a number of reasons. One is that inventory volume is basically derived on the basis of a 16-foot log length. Logs are not quite cylindrical. There are errors associated with that. In addition, at the mill site the scaling process is done, I believe, on the basis of 28- or 40-foot lengths—I am not sure which. I guess the point is that the technique is different.

There are also a number of allowances for defect, for residue, for breakage, as well as the different procedures. So to make a long story short you are comparing apples and oranges when you are comparing the net inventory volume of the forest to the volume that is removed and measured at the mill. To avoid comparing apples and oranges, what we have done is apply a conversion factor, namely 1.3, or roughly 30 percent, to the volume scaled at the mills to recreate the approximate volume taken from the forest. That scaling factor of 1.3 was actually derived by the Forest Service at the Northern Forest Experiment Station in Juneau by a man by the name of J.T. Bones.

We use that figure together with harvest acreage figures that were provided before the Subcommittee on Energy and Environment, in consideration of H.R. 1516 in 1987. In addition to that we used the Forest Service data on the total inventory volume. We did the simplest possible thing we could. We divided the total volume scaled to inventory volume by the total acreage on an annual basis. We did that 7 years in a row, and we took the average of the outcome. That came to an estimate of 54,000.

50 percent of the highest volume class—those stands in excess of 50,000 board feet per acre—have already been harvested since 1950, and of that remaining, 50 percent will be logged in the next 40 years on the current harvest schedule.

Let me change directions briefly. It is a commonly held view—and I think understandably so, and I can speak from experience having done research both post-graduate and as a faculty member of the University of Washington on the logging relationships in the Pacific Northwest. It's a commonly held view that clear-cut logging is—if not beneficial, then certainly it is not inimical to wildlife and deer populations. Deer populations are now very high in parts of southeast Alaska, and deer populations are flourishing in the Pacific Northwest in areas where pristine forests are virtually absent.

Despite these observations, research conducted by my staff over the last 10 to 13 years indicates that current management on the Tongass will in fact reduce deer numbers over time.

To understand why, we need to focus on two major things. The first is snow, and the second is the development of the forest canopy or overstory.

High volume old-growth timber on low elevation sites is unique among forest types because it intercepts snow and at the same time provides abundant forage plants of particular species and varieties that are key winter food. Conversely, second-growth forests which replace these stands are dark, relatively devoid of forage, intercept less snow, and are of little value to deer and other old-growth dependent species.

In the intensively managed forests of the Pacific Northwest, I would like to point out that snowfall does not approach that of southeast Alaska. Even so, in the rare years of heavy snow in Washington and Oregon, such as those occurring in the late 1940's and early 1950's, catastrophic deer die-offs occurred. In general however, where most of the habitat is already second growth—as in the case of Washington—clearcut logging opens up the forest canopy and releases a profusion of deer food plants until canopy closure occurs 10 or 20 years down the line.

My point here is that there is evidence of benefits to deer on a short-term basis in the circumstances that we sometimes see in the Pacific Northwest. But, I would hasten to add that it is very dangerous, and perhaps irresponsible to try to extrapolate or generalize those circumstances to a situation that is vastly different in terms of ecology and climatology.

In southeast Alaska we have not had a really severe winter for about 17 years. In my view that is a piece of darned-good luck. I would also like to mention that much of the timber harvest has occurred during the same time frame. These two events, I think, combined to create the impression that logging has been good for deer. As canopy closure begins to occur, however, snow or no snow, logged areas will become dark, devoid of forage, and nearly useless to deer for at least 200 years when old-growth conditions begin to develop once again.

When a severe winter does return, clearcuts will be buried, and deer will seek refuge in the remaining high volume winter range where snow accumulation is low and forage is abundant. This year on the Tongass we are having something like a moderate winter to date. I believe that snow accumulation on Revilla Island is not quite as high as it was in 1981-1982, which was also a moderate winter. Both of these winters are probably somewhat below the long-term averages for snowfall. Nevertheless we are seeing some problems developing. Many heavily cut-over areas now have 2 to 3 feet of snow. That is far in excess of enough to totally preclude deer from those areas.

The Alaska Department of Fish and Game predicts that under current harvest schedules and long-term weather patterns—and these are the assumptions that we are making—deer will decline by 50 to 75 percent in over half of the watersheds scheduled for logging over the course of the rotation; 461 so-called VCU's—which as

you know is an acronym for something roughly comparable to a watershed—would be entered.

In fairness, though, an additional 191 VCU's support some deer and would not be entered in the current management scenarios. Many of these, however, such as 46 watersheds or VCU's on the east side of Revilla Island, have low deer numbers, and they would probably have low deer numbers in the best of times. Habitat models developed jointly by the Department of Fish and Game and by the U.S. Forest Service—and my staff has worked very closely with the Forest Service on the TLMP revision, particularly with regard to development of models and other approaches to try to assess impacts on wildlife. Those models that were developed also predict similar declines as the result of timber harvesting in important winter ranges and indicate that current and future human demands for deer would not be met in many southeast Alaskan communities in the long term.

The predictions we have made are based on deer-hunter surveys done extensively on an annual basis to determine what current harvest levels are and are also an attempt to get a handle on what sort of harvest levels are desired, not only in subsistence communities, but in urban areas as well. We also use Forest Service information based on logging efforts to predict what carrying capacity will be down the line. We have done a complete analysis on the KPC long-term sale area, and put these things together with the assumption that there will be about a 1-percent growth rate effective over the next several decades, and that again is now being used by the Forest Service in its own planning documents.

The bottom line on this is that only three areas in the long-term sale area are projected to have sufficient habitat capability by 2054, which would be the end of the rotation beginning with industrial logging, only three of those areas would have sufficient habitat capability to provide for even current harvest levels. This is ignoring the assumption that there will be an increase in demand over time.

And the demand for deer is expected to increase. I think it is safe to say that the loss of habitat is going to mean a decrease in deer populations now available for human use.

I used deer as an example perhaps so because we have a much better handle on the ecology of black-tailed deer than we do on other species. Problems also exist with other species. A very important one in my mind which has a national profile is the brown/grizzly bear which relies heavily on riparian or river and stream bottom habitat for feeding, foraging, and cover. Extensive roading, increased human activity, and the associated—in some circumstances mishandling—of human refuse or garbage and the disposal of it, are inimical to the welfare of these carnivores. Some of these things can be got at through interagency regulations.

I do want to point out that in some portions—particularly on Chichagof Island—where roading is very extensive, our data that we collected over a major period indicate that at this point there is probably not a brown bear on the northeast Chichagof peninsula that has a home range that is not entered at some point by a logging road. The upshot of that is that these animals, which were previously insulated from harvest pressure and human pressure of other sorts are now more vulnerable. This is forcing the Alaska

Board of Game to take more stringent action regulating the human uses of these resources.

The old-growth forest of southeast Alaska supports a unique and still largely pristine fauna. This forest habitat is nonrenewable on a 100-year rotation. That is to say, old-growth conditions require centuries to develop, and there is little or no evidence that old-growth conditions can be recreated through intensive management of second growth. In the future, wildlife diversity and abundance in southeast Alaska will depend on the extent to which representative high-quality habitat is retained. It is generally not possible to maximize wildlife production and timber production on the same acre of ground.

Thank you, Mr. Chairman. If I could, there are three items in addition to my testimony that I would request be entered into the record. One of these is a very brief collection of photographs, all of which are supportive of the comments that I made and the concerns that I raised concerning wildlife habitat together with a brief description of the locations and the interpretations of the photos.

Mr. VOLKMER. Without objection it will be included in the record or held in the committee files.

Mr. ANDERSON. Thank you, Mr. Chairman.

The second item is the summary of fish and wildlife habitat values for the 23 areas recommended for protection, actually by H.R. 987. Many of those areas, of course, are areas that were included in other versions of—

Mr. VOLKMER. We will not put that in the record, since that issue is not before us.

Mr. ANDERSON. That will be fine, Mr. Chairman.

The third item that I request to be included is a brief technical publication entitled "Wildlife and Old-Growth Forests in Southeastern Alaska," written by three members of my staff. It is a recent publication appearing in National Areas Journal, and I view this as a not highly technical, but rather quite readable synopsis of the research of the department of fish and game, and it goes into considerably more depth than I have had time to go into.

Mr. VOLKMER. Without objection.

Mr. ANDERSON. Thank you.

[The prepared statement of Mr. Anderson appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you, Mr. Anderson.

The gentleman from Virginia.

Mr. OLIN. Just a couple of questions.

Mr. Laschever, you spent quite a bit of time talking about developing a compromise. In terms relating to the compromising to settle this thing for a while and the current legislation that is moving, how do you feel about the legislation the committee is working on, H.R. 1368? If you were to enact something along those lines at that point to hinder, to help you, or just make an appearance of your efforts to reach an agreement on the Tongass?

Mr. LASCHEVER. I think that H.R. 1368—the one thing I think it does is to take the approach of renegotiation of the contracts rather than of the cancellations. I think that will be seen as consistent with the consensus that has begun to emerge back in the State. As far as how it deals with 705, we think that the outright

repeal does create unacceptable risks or uncertainties to the dependent timber industry, and we think that the compromise that was reached by the conference of "up to the 4.5" is one which does much of what a repeal would do, but still provides some kind of guidance to the Secretary.

So what we would say is that the approach on the contracts, I think, would be seen back there as consistent with this compromise effort, and there would still be a lot of concern about the effects of an outright appeal.

Mr. OLIN. Would you prefer that there would be no legislation?

Mr. LASCHEVER. At this point that seems like a hypothetical question—I think that several years ago we began all of our testimony by saying that we thought ANILCA was a piece of legislation that was best left alone, but I think it has been made pretty apparent to us that Congress has come to another conclusion on that, and what we want to do at this point as a State and on behalf of these communities that are trying to work on this problem is to come up with something which really addresses enough questions so that we do not have to come back next year and see bills that go even further than the bills—it seems that each year we wait to do something the bills get more—certainly tougher from the industry standpoint—it just seems like it is a good time to get this issue back into the region where Alaskans can work on it.

Mr. OLIN. You are not really objecting to what the committee is anticipating?

Mr. LASCHEVER. I guess the main thing I would say is that we would like you to take a really hard look at the compromise language that the conference came up with on 705 and see if you agree with us that it addresses a number of concerns that have been raised.

Mr. OLIN. Let me ask Dr. Anderson. We really appreciated your testimony. It was a very good view of the physical situation in the forest. This statistic that you gave us for the next 50 years, or the next 40 years, the remainder of the timber would disappear is a pretty alarming statement, I think. The statement suggests that the Forest Service, if left to their own advice would not prevent that from happening.

What is your view as to what should be done with regard to the balance future of this forest? You say that we ought to take action to take some of that high-growth and stretch it out? You really say it could be stretched out 100 years or more?

Mr. ANDERSON. Yes, Mr. Chairman, I am coming from the perspective of a wildlife biologist, and I think in the truest sense of the word of a wildlife conservation biologist—it does not mean preservationist or any of those other commonly used terms. I am probably a member of the only agency in State government which is charged with the responsibility for advocacy for wildlife, and there is no question in my mind whatever that without an adequate habitat base, wildlife values are going to be foreclosed in the future.

As I mentioned in my testimony, the figures we hear about large acres, millions and millions of acres in the commercial forest land base, you have to bear in mind that 8,000 board feet per acre is not much of a timber stand. Again, if you get a chance to walk around on the ground of southeast Alaska you quickly realize that much of

that land has very low value for wildlife habitat. The same is true of much of the land in the wilderness.

What I am saying is that these high-volume stands are critical, and most critical during severe winters, and I will wager that we will once again have severe winters. If a substantial percentage of those stands are not retained, there will be catastrophic die-offs.

So yes, I would advocate a retention of substantial portions of that high-volume timber.

One other comment, much of those highest volume stands come out of riparian spruce stands in the river bottoms and the alluvial flood plains. I do know that in British Columbia there is a serious problem with regeneration of those stands, and there is some question about whether or not they will regenerate at all. I understand from the proceedings from a recent workshop that in British Columbia silviculturists are basically throwing up their hands and saying "well, maybe we should put these stands back into cottonwood."

Now, again, I can't speak from the same authority for southeast Alaska, but I do know that silviculturists in the Sitka district also have expressed some concern over that, and there is some evidence that we have seen as well, that regeneration is not occurring or at least not occurring at an acceptable rate among these stands.

Those stands are a key habitat for brown bears among other things including fur bearers, river otters, and marten. Representative portions of that unique system, I think, have to be retained if we are going to maintain the diversity of wildlife on the Tongass.

Mr. LASCHEVER. Let me just add one thing. If Congressman Young were here today, he would say the same thing as he said yesterday, and that is "you are talking a lot about marten and bear and deer, and I do not hear you talking at all about people" at which point I said Dr. Martin talks about the animals and I talk about the people.

Since your question dealt with the balance, I guess what I would say is—I think Dave made it really clear when he was speaking from an agency's standpoint whose mission is wildlife conservation—just to make it really clear that when it comes to the balance, the State offers as an approach to that balance this compromise which does include—in addition to providing additional flexibility on the 4.5 protection for some of the most highly valued areas for fish and wildlife habitat.

Mr. OLIN. Thank you. I have no further questions.

Mr. VOLKMER. The gentleman from Washington.

Mr. MORRISON. Just 1 question. Dr. Anderson, you are proud of your background in the State of Washington. I wanted to ask you about the protection that you feel is necessary. Your precarious responsibility to satisfy these protective zones that are being talked about or proposed by the coalition which governs the forest?

Mr. ANDERSON. The question would be whether or not my concerns on an ecological or biological basis would be adequately addressed by the Southeast Conference proposal and do I endorse that?

Mr. MORRISON. Correct.

Mr. ANDERSON. I would view that as a very positive step and generally a step in the right direction. I would hasten to add, however,

that I think in the interest of long-term preservation of biological diversity, as well as distribution and abundance of wildlife on the forest, it is simply not enough to designate areas as off-limits to whatever purposes might be inimical to wildlife. That is the essential first step. In addition to that it is necessary, and I have faith that the Forest Service through the TLMP II revision will become sensitive to it, to incorporate into its general management planning for those lands which are subject to timber harvesting, provisions for dealing with wildlife values as well.

If I can draw an analogy, I think perhaps not facetiously, it is not possible to set up a clean air reserve, and then to assume that when you have done that you can treat the atmosphere in some totally different fashion. I think there is an analogy to be drawn here, in particular for vagile species that move and immigrate in a landscape-oriented lifestyle. It is necessary to go beyond the blocks of land that are set aside to incorporate into the overall management-planning process provisions that go beyond that.

Mr. MORRISON. That is very understandable, of course. We are above the conflict here.

Mr. ANDERSON. I realize that.

Mr. MORRISON. NNC, some parallels, I guess, that we are certainly going to address, like the spotted owl, to set up management areas there.

With that I have no further questions.

Mr. VOLKMER. I have a couple of questions.

Mr. Leschever, do you have the proposal made or the grievance in writing yet or is there a general outline included in your statement?

Mr. LASCHEVER. Yes, there is a written proposal by the Southeast Conference which will be made available to the committee.

Mr. VOLKMER. When the proposal is available, please send a copy of it to my office.

Mr. LASCHEVER. OK.

Mr. VOLKMER. Dr. Anderson, last year I remember there was a lot of discussion about that bear population. Now we hear more about the deer. Is that an unusual group—the black-tailed deer?

Mr. ANDERSON. Mr. Chairman, yes, we have a unique subspecies that differs from the deer in Washington which is the Columbian black-tailed deer. In Alaska, we have the Sitka black-tailed deer.

Mr. VOLKMER. What is it that brings it approximately?

Mr. ANDERSON. The range of the Sitka black-tailed deer extends down into the central coastal region of British Columbia on up through the panhandle of southeast Alaska and into southcentral Alaska as well.

Mr. VOLKMER. What about individual herds? Do they move extensively, also?

Mr. ANDERSON. Do you mean is there a migration pattern?

Mr. VOLKMER. Yes. Will the deer move to some of those lands?

Mr. ANDERSON. To some extent, black-tailed deer particularly are not migratory animals in the same sense that the elk would be in your State. They generally move in very small ranges.

Mr. VOLKMER. I have a feeling that it is within several miles?

Mr. ANDERSON. Actually, I did a lot of work on Columbian black-tails that moved in an area of 1 square mile. The only exception to

the picture that we have seen in southeast Alaska is that there is a typical seasonal migration where the deer use the alpine tundra and then they move down to lower elevations. These deer do not move far. I find it curious and somewhat humorous—surprising, I guess—observations made some years ago by Dasmann who was looking at white-tailed deer and discovered that they were literally starving in areas where they had overused their natural forage supply, and yet there was a cornfield about 100 yards away.

I do not think it is a stretch of the imagination to think that the Sitka black-tailed deer operate the same way. They do not move very far.

Mr. VOLKMER. All of these pictures are very helpful.

Mr. ANDERSON. Thank you.

Mr. VOLKMER. I want to thank both of you for your testimony here today. Relay to the Governor our thanks for his coalition to attempt to deal with these problems.

Mr. LASCHEVER. Thank you.

Mr. ANDERSON. Thank you, Mr. Chairman.

Mr. VOLKMER. The final witness is Mr. George Leonard, of the U.S. Forest Service.

STATEMENT OF GEORGE M. LEONARD, ASSOCIATE CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY MIKE BARTON, REGIONAL FORESTER, ALASKA REGION

Mr. LEONARD. Thank you, Mr. Chairman. You have had a long day.

I am accompanied today by Mike Barton, who is the Regional Forester in Alaska with the responsibility for the Tongass National Forest.

I will just brief my statement and then ask that the entire statement be put in the record.

Mr. VOLKMER. The statement will be put into the record. You may just summarize if you like.

Mr. LEONARD. Mr. Chairman, it has been well-described to you today that the Tongass is a land of superlative beauty, and it is certainly appropriate that portions of the Tongass have been set aside in perpetuity as wilderness and other special designations.

But the forest is also a land of highly productive forest, as productive as any found in the world. It is appropriate that portions of that forest be devoted to sustained-yield timber management within the context of multiple-use as practiced on the national forest.

You heard a lot about what has happened over the last 8 to 10 years since the passage of ANILCA, and it is useful information—it is information that explains why we are where we are today in the operations of the timber program of the forest, but I think it is important to understand that in the last 2 to 3 years conditions have changed substantially on the Tongass. In the early 1980's—almost the entire decade of the 1980's—the economics of operating Tongass timber were poor, much poorer than had been anticipated when ANILCA passed.

We almost simultaneously with the passage of ANILCA went into a worldwide recession. We had the development and the expansion of timber harvesting on the Native Lands, and we had a period of the high U.S. dollar versus the other currencies of the world, in particularly currencies of the Pacific Rim countries.

The result was a very substantial reduction in volume and value of timber harvested from the forest which made very unfavorable comparisons between revenues and costs. That has changed. The demand for timber in the world is at alltime record levels, and has been for the last 3 years. Harvest levels, prices being paid for Tongass timber products, and resulting employment are reflecting these high levels of demand. This is being driven, very largely, I think, by the significant devaluation of the U.S. dollar relative to the Japanese Yen and other currencies.

But the net result is that economics on the Tongass are much improved. Revenues increased 87 percent between 1987 and 1988. Our projections are that this will continue in the immediate foreseeable future. We still lost money in operating on the Tongass last year, but the amount of loss relative to the losses in earlier years was substantially reduced. In 1989, using the TSPIRS system that we had developed with the General Accounting Office, revenues will exceed costs on the Tongass National Forest.

You heard a lot about the impacts of timber harvesting on wildlife, and there is no question timber harvesting affects the habitat for many species of wildlife. In some cases those impacts are beneficial; in other cases they are adverse.

In the development of the existing Tongass Land Management Plan, within those areas planned for timber harvesting—and I am not talking about wilderness or other areas where timber harvesting is not planned—but within those areas planned for timber harvest, 70 percent of the existing critical winter game range for Sitka black-tailed deer will be retained and will be retained throughout the current rotation period.

When we complete this first rotation, 70 percent of the existing critical habitat as mapped by the wildlife biologists will still be there.

A couple of years ago a GAO report looking at the Tongass concluded that the employment objectives that had been set were not being met. It is true. Timber harvest levels were down and employment was down. That has changed. Employment is up, responding to that increased demand, and it is our estimate that 3,400 direct and indirect jobs were the result of harvesting the Tongass timber last calendar year.

We had taken the position the last several years on the various proposals for the Tongass that we ought to wait until the Tongass management plan is revised. That revision is substantially underway and the draft plan will be out at the end of this calendar year. So there is going to be the opportunity to have a lot better data, to have new inventories, new research results on the impacts of harvesting in Alaska and new economic outlooks within about 10 months, and that is our general preference with regard to the Tongass.

We have not had any opportunity to get an administration position on the bill that you are considering today, and we would hope

to do that very shortly and furnish it to you. However, I would observe that the objectives for contract revision that the bill would provide are completely consistent with the current negotiations we have with the Alaskan Lumber and Pulp Company for revision of their long-term contract. We had earlier negotiated substantial revisions with the Ketchikan Pulp Company contract. When we get the provision relating to sale selection, we will go back to KPC and bring their contract in line.

So we do not see any conflict with the objectives set forth in your bill with our objectives. We have also, because of the need to operate on marginal timber stands in Alaska, supported retention of the Tongass timber sale fund. However, we recognize that that is a lightening rod contention in this area, and also as a practical matter for the last 2 years through the reconciliation process. It, in fact, has been brought under the annual appropriation process, so we would not object to the deletion of the Tongass timber sale fund and provide for funding of the Tongass on the same annual basis as the other national forests.

With that, Mr. Chairman, I will be pleased to respond to any questions.

[The prepared statement of Mr. Leonard appears at the conclusion of the hearing.]

Mr. VOLKMER. We had testimony earlier by one of the panels as to the amount of timber that could be harvested using the short-term contracts—in other words do away with repeal of the 50-year long-term contracts, and the 4.5 billion and all of that, and that without that short-term, and that you would be able to provide 330 to 400 million board feet per year. What would you do with that?

Mr. LEONARD. Well, you have to make some assumptions in terms of the level of funding. If we continue through the annual appropriation process to get funding necessary to do the intensive forest management practices—

Mr. VOLKMER. Nonintensive.

Mr. LEONARD. OK. Without the intensive management practices and the current land base, we estimate—

Mr. VOLKMER. Without any changes in any of the wilderness areas—

Mr. LEONARD. Using that land base, we estimate that the economically operable timber would be approximately 338 million board feet.

Mr. VOLKMER. 338 million? Now, if you change the fund and you continue to authorize the use of intensive management, what would be the difference?

Mr. LEONARD. We are going to have a new inventory, and we are in the process of looking in that this could change as we look at the inventory, but based on what we know today we can still sustain the 450 if you have the money to make those investments, and if the demand is there for that volume of timber.

Mr. VOLKMER. Now, we have already changed, too. We are no longer providing the timber last year. We are no longer preparing the contracts for sale of automatically 450 per year?

Mr. LEONARD. No, sir. The last couple of years have been around 300 million board feet or less. What we are trying to do is match the actual harvest level—actual volume released to the long-term

contracts and volume sold in independent sales to actual harvest levels.

Mr. VOLKMER. Have you had any difficulty with the contract holders with the private short-term contract people as to saying they are not getting enough timber out there?

Mr. LEONARD. We have serious concerns, particularly with the Alaskan Lumber and Pulp Company sale because we have had some of the volume that was prepared held up by lawsuits. We are under injunction to take some of the volume we had thought was going to be available to the company because of a court finding that the environmental impact statement associated with that volume is not accurate. We lost that, so there is serious concern about the Alaskan Lumber and Pulp Company whether we have enough timber released out ahead of them so that they can build the roads and log the volume of timber they would like to do.

We have one of the independent firms who is concerned about the volume under contract. The other independent firms have a very substantial number of years of volume under contract, so they have no problem.

Mr. VOLKMER. Who brought the lawsuits on the environmental agency?

Mr. BARTON. Wilderness Society and the Sierra Club.

Mr. VOLKMER. Wilderness and Sierra Club.

If you went to just short-term contracts, people on those would not want to repeal right now?

Mr. LEONARD. Yes, sir.

I just observed that it had been said adequately. There are tremendous investments involved in those pulp mills up there. The mills are heavily in debt, and their debt is secured by the assurance of supply under those long-term contracts.

I think it is a real throw of the dice to make a judgment whether or not those companies could continue to operate, whether their creditors would permit those companies to operate. I do not think the companies will make the decision. I think their creditors will make the decision as to whether they will continue to allow that company to operate without the security of long-term contracts.

Mr. VOLKMER. The gentleman from Virginia.

Mr. OLIN. Thank you, Mr. Chairman.

Mr. Leonard, you said that in 1989 we would be in the black in terms of revenues and timber costs in a portion of the Tongass. In looking at the 1987 Forest Service Timber Sale Annual Report, did the industry part have the same kinds of rules that you are describing?

Mr. LEONARD. No, it did not. That does not reflect the TSPIRS program that we developed with the General Accounting Office. We now believe it is the best representation of the appropriateness of roads and other processes.

Mr. OLIN. Does that include a provision for other values of wild-life and recreation?

Mr. LEONARD. Right, but what I am talking about being in the black in 1989 is the Tongass timber program, I am not talking about taking into consideration those other values. I am talking about taking in consideration the actual payments to the Govern-

ment, the value of the roads built and the cost of preparing and administering sales, and not throwing other values in to get there.

Mr. OLIN. This history says that 1987, the timber receipts were \$6 million and transit was over \$24 million. You said that the 1988 revenue was almost double what it was in 1980.

Mr. LEONARD. We lost about \$1.6 million in 1988, if I recall.

Mr. OLIN. OK. We have quite a bit more values figured in.

Mr. LEONARD. That is correct. The reason that I am optimistic is that in 1987 and into most of 1988 the stumpage prices being paid on the two long-term contracts were in the neighborhood of \$1.50 to \$2.

In August 1988, as a result of our renegotiations of the Ketchikan Pulp contract, the stumpage rate they pay on the average went from \$2.14 up to \$49 and some-odd cents. That was reflected partially in the report. It will be reflected entirely in 1989, and that would put us in the black, but in addition we expect to get the Alaska Pulp Corporation sale up to those same rates within a short time. We are very close on the negotiations there.

So, I think for most of the receipts in 1989, instead of having those contracts operating at \$2 the figures will be operating at \$49 or \$50.

Mr. OLIN. On the subject of the management plans the special measures before you in the congressional hearings is that the Forest Service thought it would have to plan for the Tongass.

You are saying that you are going to have a draft before next year?

Mr. LEONARD. We are on target to have a draft report within this calendar year.

Mr. OLIN. To what extent have you got citizen input into that?

Mr. BARTON. Yes, sir. We have had 31 public meetings around town in southeast Alaska. That includes one in Anchorage, one in Seattle, and one here in the District of Columbia. In addition to that, we have had ongoing newsletters and interest groups working with team members as some of the other panel members attested to.

We have had quite a bit of public involvement, and we are moving quite a bit along.

Mr. OLIN. Some of the testimony earlier today indicates that these people do not give you much credit for putting together this deal.

Mr. LEONARD. I think it is clear that the issues are so severely polarized among the groups up there that the chance of getting a consensus that everybody would be happy with probably is pretty slim.

Mr. OLIN. On this issue that Dr. Anderson was talking about it also, that is the so-called high-grading, the cutting off—the rate harvest in recent years that this timber will not last very long.

You made the statement that your present plans for the current rotation—for the current rotation period it would be maintaining habitat for wildlife that would give you some such figure.

Would you describe that more specifically? Dr. Anderson was saying that in the next 40 years the present rate of harvest, these large stands will be gone?

Mr. LEONARD. I think I will let my partner respond to that. But of those stands planned to be cut, many will be gone in that period of time.

Mr. OLIN. Would you make that statement over again?

Mr. BARTON. What will remain at the end of the first rotation is 70 percent of the identified winter deer range—

Mr. OLIN. What was the first rotation?

Mr. BARTON. The first 100 years.

Mr. OLIN. First 100 years?

Mr. BARTON. At the end of the first 100 years, 70 percent of the key winter deer range in the Tongass Land Management Plan for the entire forest, not just the timber base, but for the entire forest will remain.

Mr. VOLKMER. The question is have you established the density of the deer population from which would be retained in the Tongass?

Mr. ANDERSON. Mr. Chairman, we have conducted extensive public surveys. Results of these are in draft form and will be completed very soon.

But as I alluded to in my testimony earlier, based on the survey conducted together with information that was provided by the Forest Service on habitat capability together with the effect of timber harvest practices, I believe I mentioned that in the Ketchikan long-term sale areas, with the exception of about two areas, future demand for deer would not be met, and that is again is based on responses not only to—not only based on what hunters are currently taking, but what hunters are telling us what they would like to take, that they need to take, as well as some assumptions that this demand will increase in the future.

I have some other comments, if I could. Very briefly concerning the statements made by Mr. Leonard and Mr. Barton about my earlier comment.

What I said in regard to the 50,000 plus was that of the amount of 50,000 plus—volume class VII—on the forest prior to the advent of industrial scale logging, half of that has been removed. In the next 40 years, at least under current harvest schedules, disregarding revision of TLMP, 50 percent of that would be removed which will leave 25 percent of the initial volume in the highest class.

Now I also did not say that all key winter range falls into the highest volume class. I said that in addition there are upland sites that are dominated by hemlock with some spruce, that are in class VI which is the 30,000 to 50,000 range.

The figure that the Forest Service is presenting today is in effect that at the end of the rotation that we—70 percent of the key or critical range will remain. Now that is a problem we have been negotiating with the Forest Service for a number of years, and I have an extensive file of correspondence of that back home, and the key issue is what is meant by critical winter range.

The scientists that are involved in this are at the level of the field biologist. There are many documents dealing with this question at their level of functioning. What I believe the misunderstanding is, is that the "70-percent-remaining figure" is based on a prior definition of deer winter range that came out of TLMP I. That definition is antiquated and I think it can really be demon-

strated to be antiquated because it was based on some assumptions about the value of coastal beach fringe habitat, and not based on the actual value.

You can verify this by flying and looking with your eyes or you can look at a timber map. But you will discover that portions of that beach strip area are not of any value to deer as winter range.

So that value is grossly overestimated.

Mr. VOLKMER. That is something that you feel that in working with the Forest Service have worked out?

Mr. LEONARD. That kind of supports our general position, before new decisions are made with regard to the land base in Alaska, and what could happen if you change various assumptions about the various sales, that we wait for the updating of the TLMP II because it in fact will be based on new inventories and our current understanding on what our research is telling us about what is key winter habitat.

I was responding to 70 percent what was shown in the previous edition of the plan. Now, if we find out that we need more habitat to maintain the desirable level of animals, then that would be one of the outcomes of the revision of the plan.

Mr. VOLKMER. The other question I have is that before I asked you about the yields for intensive management and nonintensive management, were those sustainable yields?

Mr. LEONARD. Sustainable yield with two different assumptions. One is with the funding assumption—without that assumption it gives you 338. But both would be sustainable over the long term.

Mr. VOLKMER. And that would be without the long-term contracts?

Mr. LEONARD. It is really independent of the question of the long-term contracts.

Mr. VOLKMER. The other question I have regards the effect of the long-term contracts on the planning process, TLMP II. As you are formulating that—the whole policy—included in that policy is the long-term contract, is it not? And what would you be required to do under the long-term contracts?

Mr. LEONARD. We are also looking at alternatives which will cover a complete range including variations from the 450 million board feet annual production. One of the alternatives that we will be looking at is this Governor's alternative described by the previous witnesses. We will also be looking at alternatives suggested by environmental groups.

Mr. VOLKMER. Does the gentleman from Washington have any more questions?

Mr. MORRISON. You are also looking at our distinguished Alaskan Senate team's proposal?

Mr. LEONARD. Yes, sir.

Mr. MORRISON. How would that work from management's point of view? Would it not have to operate the full 450 million per year?

Mr. LEONARD. That is right. It ratifies the way we are currently operating, we would try to continue to be in a position to respond to demands up to 450 million feet a year if those demands develop, but if they do not develop then you operate based on your current market.

Mr. MORRISON. You felt any pressures that by the end of the decade will reach 5 billion, or—

Mr. LEONARD. Well, we have been going year by year. Obviously, because the 4.5 billion figure is a decadal figure, conceptually you can get above the 450 in a year if the demand is there, and you have room in the sustained-yield calculation.

Currently, because the market has been so bad in the first three-quarters of this decade, there is probably no prospect that there would be a logging capability in Alaska today to come anywhere near the 4.5 billion for the decade.

Mr. MORRISON. What is the timing on some of these errors we are making out? We will look at different alternatives including the ones that we have touched on today.

Mr. LEONARD. We expect to have a draft published with those alternatives by December.

Mr. MORRISON. Thank you.

Mr. Chairman, I would like to mention that the errors that have been involved today. I think it concerns you all or not because the quality of the hearings that is coming out each year that we will need to keep coming back.

Also I need to say is that the Forest Service, I believe responds to the real world with which you have had to manage the most difficult of instructions since 1980. It would be a reasonable middle ground if we do not get too "antsy" here and interfere. It is all a part of the process of governments. I compliment you, and thank you, Mr. Chairman.

Mr. VOLKMER. I want to say that when you sit here and see all of these things you wonder how all of these things can be put into a logical and coherent perspective.

It makes you wonder if we would still be where we were.

Mr. LEONARD. Yes, I do. I am from a negotiating—

Mr. VOLKMER. You do not have to answer. I want you to think about that, and I think what has been going on in the past several years, even though people may or may not get everything they want or desire. There have been changes made. Changes are in order to take place.

I see changes in the timber industry to this point has a big effect, and I think what we are seeing is the changes in the world in multiple-use factors in the last decade.

With that, the hearing will adjourn. Thank you very much.

[Whereupon, at 3:22 p.m., the subcommittee was adjourned, subject to call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF VIRGIL SODERBERG
ALASKA LOGGERS ASSOCIATION
BEFORE THE HOUSE AGRICULTURE COMMITTEE
March 15, 1989

Mr. Chairman and members of the Committee, my name is Virgil Soderberg. I am the President of the Alaska Loggers Association (ALA). The ALA is made up of logging companies, sawmills, and pulp mills throughout Alaska, representing 110 separate companies and 4,400 workers. In addition there are 200 associate members which employ several thousand persons both in Alaska and in the lower-48.

THE TONGASS IS NOT IN CRISIS. In order to get quick action on proposed legislation, it is useful to create a crisis atmosphere. We have seen such things alleged as the Tongass contributes to global warming, the Tongass listed in one news story along with the Chernobyl and other major environmental disasters, and the rallying cry that the timber industry is "destroying" the last great rain forest in the United States. Such comparisons need to be disposed of before it is possible to have a reasonable debate on the merits of the various proposals for mid-course corrections to Section 705 of the Alaska National Interest Lands Conservation Act (ANILCA).

The Tongass is not in crisis. To begin with, there are 16.7 million acres in the Tongass National Forest, of which 5.6 million acres are congressionally designated wilderness under Section 703 ANILCA. In addition, there are approximately 2 million acres in the Glacier Bay National Monument outside the National Forest in Southeast Alaska. Thus, 40% of Southeast Alaska

is statutorily closed forever to any development. Of the 16.7 million acres on the Tongass, approximately one-third or 5.5 million acres is commercial forest land. Of this one-third of the Forest, 1.6 million acres, or 30%, is designated wilderness. An additional 2.2 million acres, or 40%, is restricted from timber harvest to protect the other multiple uses and the remaining 1.7 million acres constitutes the timber base for the 100 year rotation.

In the period 1978 through 1987, the timber industry harvested 76,000 acres, or 7,600 acres of National Forest per year, which is .4 of one percent (1%) of the 1.7 million acres available for harvest.

All harvest activity is regulated by the Forest Service in accordance with National Forest Management Act regulations. For example, Forest Service regulations and management practices that have been developed protect fish through the use of such things as fish habitat management zones, protect deer by setting aside deer winter range, and protect fur bearers by setting aside retention areas along beaches. Since we harvest very little on major transportation lanes, timber harvesting has little impact on the great majority of tourists who travel up the inside passage each summer. In short, other resources are protected in full accord with multiple use principles and the law.

THE TONGASS LAND MANAGEMENT PLAN. The Tongass National Forest was the first National Forest for which there was a forest plan. The plan came out in draft in August 1978 and was the

vehicle used by this Committee under Senator Jackson's chairmanship to forge the Tongass Section in the ANILCA bill. Pursuant to the National Forest Management Act planning regulations, this is the first forest plan to be revised. Thus far, the Tongass forest planning team has worked for two years at a cost of \$5.0 million. The draft forest plan is expected out in the form of a draft environmental impact statement in December, 1989.

The forest planning process used for the Tongass is the same planning process as that for every other National Forest. Using public input to the planning process, hundreds of people across Southeast Alaska and the country have presented their views to the planning team. The ALA respectfully submits that if the idea is accepted to make the Tongass like other National Forests, then the land allocations proposed under HR 907 should, at a minimum, await the recommendations of the Forest Service planning team. Certainly, before the decision is made to change the land designation in the current plan and to act in advance of the scheduled TLMP revision, the Committee should hold field hearings in Southeast Alaska to see if the need exists to do so. The ALA does not believe that the Committee would find any reason to designate land areas prior to completion of the planning process.

THE TONGASS IS BACK ECONOMICALLY. During the period 1982 through 1986, the forest products industry on the Tongass National Forest, like the forest industry nationally, suffered a severe depression. Demand for products from National Forest land were greatly reduced such that timber harvest, for example, in 1985

dipped to 162.5 million board feet, the worst year ever. But the Tongass is now coming back. The forest industry is a strong one-third of the economy of Southeast Alaska.

The ALA polled its members to determine 1988 calendar year harvest levels. A calendar year review, which includes unscaled volume in rafts, more accurately reflects market acceleration than the scaled, fiscal year Forest Service figures which show only half a calendar year's figure. For 1988, our members show a 377 MMBF net sawlog volume harvest level.¹

This produced 3,447 direct jobs according to Alaska Department of Labor figures. This needs to be adjusted by adding 391 longshoring and towing jobs, 150 road construction jobs and 435 timber related Forest Service jobs not counted by the Alaska Department of Labor. This produces a grand total of 4,423 jobs of which approximately 1,000 jobs are from Native timber operations. Using the Sitka mill economic study performed by the McDowell Group, there are 1.4 indirect jobs for each direct job. Accordingly, there were 10,615 direct and indirect timber industry related jobs in Southeast Alaska in 1988. This is more than one-third of the private employment in Southeast Alaska.

¹ The Forest Service showed the FY 1987 harvest level to be 282 million board feet. In FY 88, the Forest Service showed a harvest level of 331.5 million board feet (see Forest Service Timber Supply and Demand, 1988 Draft Report). Our figures differ because the Forest Service uses a fiscal year accounting and only considers scaled volume. Thus, Forest Service figures only show half a calendar year's work and do not show the true acceleration in an up market like this one.

In 1987, the total dollar value of forest products exported from Alaska was \$327 million. In 1988, it was \$474 million, a 45% increase over 1987.

The Timber Sale Program Information Reporting System (TSPIRS) for FY 1988 shows that while there was a \$1.6 million loss in timber receipts over revenues, the net present value of the future benefits on the acres harvested in 1988 was \$1.3 million. Most important is the TSPIRS Employment and Income Report which shows that as a result of timber harvesting and the primary manufacture requirement total personal income from the forest industry in 1988 was \$117.6 million and the value to the communities \$485 million. Since the Forest Service would receive greater stumpage returns but for the primary manufacture requirement, the dollar value of the jobs related to this worthwhile social program should be considered in determining the value of Tongass timber harvesting to Alaska and the country.

We are expecting even better results in 1989. The industry is harvesting at an accelerated rate to meet market demand. This effort is frustrated by deferral of harvest in some areas due to lawsuits brought by the Sierra Club Legal Defense Fund and the Southeast Alaska Conservation Council (SEACC). At this moment, timber harvest could be increased and jobs increased if further restraints imposed by these lawsuits were lifted. The harvest rate we would anticipate for 1989 without such restraints would be close to 450 million board feet.

The world market outlook remains very strong. Alaska pulp products are sold in 20 countries. There has been a worldwide resurgence in rayon and cellophane because of renewed recognition of the strength of these biodegradable products. There are many specialty uses for dissolving pulp, including lacquers, tire cord, industrial belting, munitions, and pharmaceuticals.

Furthermore, as a result of revision in exchange rates, there is now a permanent institutional change on the forest in Alaska which will maintain our industry at a higher rate of harvest. As you know, logs harvested on National Forest land in Alaska are subject to primary manufacture. The change in the exchange rates has caused many products manufactured in Alaska and shipped to the Pacific Rim to be cheaper than products manufactured from round logs in the Pacific Rim. Accordingly, we will be able to supply jobs at an accelerating rate on the National Forest land.

Conversely, the Village Corporations in Southeast Alaska, established under the Alaska Native Claims Settlement Act of 1971 are running out of timber. Six of those villages are already out of timber, another three will run out of timber in two years, and the final three will run out of timber two years after that. Sealaska Corporation, the regional Native Corporation will run out of timber in the next ten years. When that happens, those villages which wish to continue timber harvesting in Southeast Alaska must do so on the Tongass National Forest. Accordingly, the increased harvest levels brought about by change in the exchange rates and the increased pressure from Native Corporations wishing to harvest

on National Forest land will keep the harvest levels high throughout the decade of the 1990's.

THE IMPACT OF LEGISLATION. Passage of HR 987 would cost the American taxpayers hundreds of millions of dollars, seriously disrupt the industry of Southeast Alaska, and make a mockery of the Tongass Forest Planning process. HR 987 would repeal Section 705 entirely, cancel the long term sales and designate 23 areas as wilderness in advance of the Tongass Land Management process. This result is not justified by any impact on the environment from harvesting, even if we were harvesting up to the maximum rate the industry could harvest. We are thus opposed to Mr. Mrazek's bill.

REPEAL OF SECTION 705. If Section 705 is repealed, it will reduce the timber supply from the Tongass by a third, notwithstanding the increased demand from National Forest timber described above. This will occur because without the direction to manage a timber sales program providing availability of a supply of 4.5 billion per decade and sufficient appropriations to achieve that harvest level, the 1979 Tongass Forest plan shows the Tongass can produce only 3.38 billion board feet per decade. Such a drop in the allowable sale quantity will cause a dramatic loss in jobs.

If the 23 areas are designated as wilderness, then the reduction in allowable sale quantity would be even greater. It is estimated that the impact would be a further reduction of approximately 500 million board feet per decade for a total of only 2.88 billion board feet per decade. Again, there is no

environmental impact resulting from timber harvest which justifies this punitive reduction in the timber base.

Some people have argued that Section 705 should be repealed because it makes the Tongass different from every other National Forest. Congress made the Tongass different from every other National Forest in 1980 when in Section 703 as part of ANILCA, it designated so much wilderness on the forest that the non-wilderness lands which remained open to timber harvest could not support the then-existing level of jobs on a sustained yield basis. Section 705, which was based on an alternative to TLMP recommended by the Regional Forester in August 1978, was designed to solve this problem. The idea, then, was to use intensive management monies to increase the sustained yield from the non-wilderness lands open to timber harvest and, thus, provide a sustained yield harvest of 4.5 billion board feet per decade. Currently, the Alaska Loggers Association recognizes the need for a change in the Tongass Timber Supply Fund as seen in our attached proposal for legislation.

It has always been the case that the amount harvested in any one year would depend upon market demand, but the Forest Service is required to retain a sufficient land base, so that using intensive management monies, it can achieve a harvest level of 4.5 billion board feet per decade. The Alaska Loggers Association believes it essential to maintain a timber program which makes available an allowable sale quantity of 4.5 billion board feet per decade, with the annual harvest level determined by market demand.

Some people have argued that the 4.5 billion board feet allowable sale quantity should be repealed because it drives the planning process thereby subjecting fish, game and other resources to the risk of inadequate protection. This is wrong for at least two reasons: First, the 4.5 billion is needed only because Congress designated so much wilderness in 1980 that the remaining non-wilderness land is insufficient to maintain the job base. Accordingly, from a substantive point of view, if one repealed the 4.5 billion, one should also reduce the amount of wilderness in order to put the Tongass planning process in the same position that it enjoys on other National Forests.

Second, there are only 3.9 million acres of commercial forest land not in wilderness. Of this, 2.2 million acres are not ever available for harvest, leaving only 1.7 million acres available to protect the job base. This can only occur if there is sufficient funding to provide precommercial thinning, construction of roads into marginal areas, and Region 10 timber sale preparation expenditures. Accordingly, with sufficient funding, the additional acreage provides a buffer so that the 4.5 billion board feet will not affect the planning process or the ability to protect other resources. For these reasons, the ALA does not believe that the 4.5 billion board feet impacts the planning process any more than the wilderness already designated. It follows that the argument to roll back the 4.5 billion to protect the planning process applies equally to rolling back the wilderness to protect the planning process.

Some people have argued that the 4.5 billion constitutes a mandated cut. The truth is that the 4.5 billion is an allowable sale quantity which represents the maximum that can be harvested for the decade. The amount that is made available for harvest each year depends upon market demand.

CANCELLATION OF THE LONG TERM SALES. There is no need for legislation. It is wrong for Congress to legislate in an area dealing with the contract relationship between the U.S. and private parties.

Furthermore, the following points should be made:

First, these are not long term contracts anymore - there is only 15 years left on one contract and 22 years on the other;

Second, these contracts and the related pulp mills are the foundation of the industry today. They are essential because 50% of the timber on the Tongass is over mature timber suitable only for pulping and cannot be utilized in sawmills. In addition, the pulp mills provide a market for the pulp logs from the timber sales purchased by the independent sawmill operators and logs owned by private Native landowners. They provide a market for chips from sawmilling operations.

Third, cancellation of the contracts obviously would cost the taxpayer hundreds of millions of dollars. The proponents of cancellation have not explained to you the full extent of the government's exposure. While the Alaska Loggers Association does not know the full extent of this exposure, clearly it would cost in the hundreds of millions of dollars to purchase the rights and pay damages for the mills of these contracts. This says nothing about the indirect cost to the government of social disruption to communities throughout Southeast Alaska.

When people are put out of work in Southeast Alaska, it is not like losing a job in the Lower 48. There are no roads connecting communities. There are few alternative jobs. Usually, losing one's job means leaving Southeast Alaska with major attendant family dislocations and impacts. The impacts on people deserve some consideration.

WILDERNESS DESIGNATIONS IN ADVANCE OF TLMP. Finally, making land allocations in advance of TLMP makes a mockery of the planning process. Congress put the Resources Planning Act into operation and amended it with the National Forest Management Act of 1976. The idea of the forest planning process is to determine, among other things, which lands should be set aside in an administrative category. To have Congress designate those lands

a few months in advance of the planning process because the environmentalists do not trust the Forest Service is a bad precedent. At least this Committee should see what the proposals of the Forest Service are without trying to supersede those proposals by legislation before they are made.

If environmental groups are permitted to dictate the results of the process in advance of the forest planning process, you can be assured that each of the forest plans on other National Forests will be brought before you to be tailored in a way most advantageous to the environmental community. Allowing environmental groups to dictate the planning process through Congressional action would be a mistake.

THE ALASKA DELEGATION BILL. It would be wrong to say that the timber industry is happy about the proposed loss of the intensive management monies being provided through the Tongass Timber Supply Fund. We believe that the attached legislation would be preferable. We are concerned that we will fight the Tongass battle year in and year out in front of the Appropriations Committees as a result of this change. However, we have been working on this legislation long enough in Washington to realize that in a time of budget cuts for the rest of the country, the actual Tongass appropriation is going to have to be treated like every other National Forest. Accordingly, we support the proposal made by our Delegation, notwithstanding our concerns.

The Alaska Delegation bill proposes mid-course correction in the Tongass program, but does not "throw out the baby with the

bath water." It allows continuation of the Tongass Land Management Plan, which has been ongoing for two years and on which the government has already spent \$5.0 million. It is, thus, clearly far superior to HR 987.

FIELD HEARINGS IN ALASKA. Before it acts, the Committee should hold field hearings in Southeast Alaska. The Committee has not had such hearings in Southeast Alaska since 1978. We urge the Committee to come and see the way in which timber harvesting is being conducted consistent with other multiple use values. Hear what the working people of Southeast Alaska have to say about these proposals. See if there is some type of emergency requiring land designations to be made in advance of the TLMP revisions.

sd/306

(Attachment follows:)

SUMMARY DESCRIPTION OF LEGISLATION PROPOSED BY
ALASKA LOGGERS ASSOCIATION

Attached is the Alaska Loggers Association's (ALA's) proposed Tongass Legislation. The basic premise of the ALA proposal is that changes should be limited to Section 705 of the Alaska National Interest Lands Conservation Act (ANILCA). The long term contracts between the United States Forest Service and the holders of those contracts should not be the subject of legislation: changes deemed necessary by the parties should be negotiated by the parties. Current Tongass land allocations are based upon the existing Tongass Land Management Plan (TLMP) pursuant to the Resources Planning Act of 1974. New land allocations, whether designated wilderness or moratoria, should not be the subject of legislation and should not be made prior to completion of the TLMP revisions.

The ALA proposes mid-course corrections in Section 705 of ANILCA, but believes that the basic 1980 agreement should be retained. Specifically, the ALA proposal would make the normal Forest Service timber sale budget subject to the annual appropriations process. This would allow annual Congressional oversight of TLMP and timber sale programs.

The intensive management fund would be retained in order to assure an allowable sale quantity of 4.5 billion board feet per decade, as Congress agreed in the 1980 compromise. Annual sale levels would be based upon the Forest Service's and industry's estimate of industry's capacity and future demand. The fund would

be established at \$30 million and up to \$15 million would be replaced each year.

In keeping with previous congressional concerns about the TTSP, the use of such funds would be limited to precommercial thinning (no more than 12% per annum of such funds), to construction of capitol facilities to access timber in new and existing timber sales which have been awarded to a purchaser, and for fisheries enhancement in connection with timber sales (up to 15% of the said fund).

Clearcut sizes would be increased under the ALA proposal to optimize economic harvesting of timber sales. This is totally consistent with the ability to protect other resources. By harvesting more from drainages entered for harvest, other drainages will not have to be disturbed until a later period of time. Furthermore, it would help increase returns to the Treasury in the form of stumpage fees.

Finally, in order to avoid the delays inherent in environmental litigation and the damage to the public interest in not receiving the earliest benefits of the revised TLMP, there would be no judicial review of TLMP and administrative appeals would be limited to one level.

TONGASS TIMBER REFORM ACT OF 1989

SECTION 1. SHORT TITLE AND DEFINITIONS

(a) SHORT TITLE. This Act may be cited as the "Tongass Timber Reform Act of 1989."

(b) DEFINITIONS. As used in this Act, the following terms shall have the following meanings:

(1) The term "the Act" means the Alaska National Interest Lands Conservation Act (Public Law 96-487);

(2) The term "the Secretary" means the Secretary of Agriculture;

(3) The term "dependent industry" shall include but not be limited to long term sale purchases, short term sale purchases, and SBA set-aside sale purchasers of National Forest timber.

TITLE I -- ALASKA LANDS ACT AMENDMENTS

SEC. 101. TONGASS INTENSIVE FOREST MANAGEMENT FUND

The Act is amended by --

(a) striking out section 705 (16 U.S.C. 539d); and

(b) inserting in lieu thereof the following section:

"SEC. 705. (a) The Secretary is authorized and directed to carry out a program of intensive management of the commercial forest land of the Tongass National Forest in order to assure the availability of a sufficient supply of timber to achieve the allowable sale quantity established by Section 709. Such program shall include --

"(1) construction of capital facilities needed to access new and existing timber sale areas which have been awarded and which meet the criteria for added investment contained in Forest Service Region 10's Timber Sale Preparation Handbook at the time of passage of this Act;

"(2) timber stand improvement; and

"(3) fisheries enhancement projects in connection with timber sales.

"(b) The Secretary of the Treasury is authorized and directed to establish an account within the treasury which shall be referred to as the 'Tongass Intensive Forest Management Fund'. Such account shall be made available to the Secretary of Agriculture, who is authorized and directed to use funds from the account exclusively for the program authorized in subsection (a), and subject to the limitations contained in that subsection. On the first day of each fiscal year the Secretary of the Treasury shall transfer funds into such account equal to the amount expended from the account during the prior fiscal year and any balance of funds expended during previous fiscal years but not yet replaced, subject to the following:

"(1) Not more than \$15,000,000 shall be transferred into such account during any one fiscal year; and

"(2) The account shall be established with a balance of \$30,000,000 and the balance shall not exceed that sum at any time.

"(c) No more than 12 percentum of the balance in the account established by subsection (b) at the beginning of the fiscal year

may be expended on timber stand improvement during that fiscal year.

"(d) Funds for the account established in subsection (b) shall be drawn from receipts from oil, gas, timber, coal and other natural resources collected by the Secretary of Agriculture and the Secretary of the Interior notwithstanding any other law providing for the distribution of such receipts.

"(1) Such funds shall not be subject to deferral or rescission under the Budget Impoundment and Control Act of 1974.

"(2) Such funds shall not be subject to annual appropriation.

"(3) Notwithstanding any other provisions of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 and 304, or a resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the account established by subsection (b).

"(e) The Secretary shall submit a report at the time of the President's annual budget request on the proposed expenditures from the fund established by subsection (b) together with a detailed narrative description concerning such expenditures. Such report shall be submitted to the Committee on Interior and Insular Affairs, the Committee on Agriculture, and the Committee on

Appropriations of the House of Representatives and the Committee on Energy and Natural Resources and the Committee on Appropriations of the Senate.

SEC. 102. TIMBER SUPPLY

The Act is amended by inserting the following new section following section 708:

"SEC. 709. (a) The Secretary shall manage the Tongass National Forest to make available an allowable sale quantity of 4.5 billion board feet per decade. --

"(b) During each fiscal year the Secretary shall prepare and offer for sale or release no more timber on the Tongass National Forest than he estimates is necessary to meet the annual demand of the dependent industry. The Secretary shall base the estimate upon projections of industry capacity and future demand, including, but not limited to, the dependent industry's own demand projections and shall insure the planning occurs in a timely fashion to assure harvesting in the year needed.

"(c) Notwithstanding any other provision of law, in each revision of the Tongass Land Management Plan the Secretary is authorized to adjust the maximum clearcut size to optimize economic harvesting of timber sale areas.

"(d) The provisions of this section shall apply notwithstanding the provisions of section 6(k) of the National Forest Management Act of 1986 (90 Stat. 2949)."

SEC. 103. JUDICIAL REVIEW.

Notwithstanding any other provision of law, the Final

Environmental Impact Statement issued by the USDA Forest Service revising the Tongass Land Management Plan for the period 1991-2000 and the Record of Decision accompanying the Environmental Impact Statement shall not be subject to judicial review, and shall be subject only to one level of administrative appeal.

JFC:sd/TTRAlang.

Statement of Representative Don Young
March 15, 1989
House Committee on Agriculture
Subcommittee on Forests, Family Farms and Energy

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify before you today on H.R. 1368. I'd like to start out by congratulating the Committee on asserting its proper jurisdiction over legislation which affects the management of parts of the National Forest System. For too long, my Committee down the hall has run roughshod over the proper balance of the national forests, preferring leisure over livelihood, wilderness over the work ethic, and posey-sniffers over the producers who built this country with their hard work and strong backs. Your Committee represents producers -- people who get up every day and with God's blessing work the earth for all its worth -- understanding that nature is both fragile and resilient -- and properly managed, can serve man. The farmers who till the soil don't destroy it, they change it -- they manage it for man's needs. I'd like to think that that is what we're doing to a very small part of the Tongass National Forest -- changing it to serve man -- not destroying it, as some contend.

I'll wager that if some of the groups that want radical changes on the Tongass were around during the Homesteading days, they would have fought the disposal

of lands for settlement. Much like the farmers whose families worked to remove the rocks from that land so they could grow renewable crops, the folks who work in the logging business in Alaska are now removing old, decadent timber that is half rotten -- and has no value -- to make way for new growth that will sustain a renewable resource industry on the Tongass. I'm certain that if some of the hearty souls who moved those rocks had looked at the short term, they wouldn't have been able to justify their hard work against the yield of their fields in the first couple years. But these were people who came to stay -- to raise families and leave something behind. That's how I view today's pioneers in Alaska.

I want to assure the Subcommittee that there are plenty of good folks who want to stay in the logging communities that are now becoming human settlements in Alaska.

They may be too busy to write letter after letter -- they're out working in the woods, or struggling to meet a payroll, or busting their butts to put food on the table and shoes on their childrens' feet and braces on their teeth -- but they're in Alaska to stay.

I want to begin by inviting the Subcommittee to visit Alaska and meet some of the finest people you'll ever meet in one of the world's most beautiful spots. I hope

your Committee will spend some time there, too. The Interior Committee went in 1987 and spent 3 days in an area the size of South Carolina. Those of you who know me or have served with me know that I would not make a decision that would directly affect over one-third of the economy of South Carolina without first looking to the representatives of that state, and I surely wouldn't do anything drastic based upon 3 days of overflights of the state. I guess I figure that's what the people elect Senators and Representatives for, and I'm just not confident enough about my knowledge of another state to get involved in their affairs -- hell, my people have problems that need solving that take all of my time, without me going around looking to solve other folk's problems. That's why I'm glad this panel is listening to me today.

I support the bill introduced by Senators Frank Murkowski and Ted Stevens to treat the Tongass National Forest like all other national forests in the annual appropriations process. Since December 2, 1980, when President Carter signed the Alaska Lands Act into law, I have been told by supporters of change on the Tongass that this was the major objection with management there. By placing the Tongass in the annual appropriations

process, Congress can increase oversight, exercise funding discretion, and ensure that monies are being spent consistent with Congressional intent. There is a reason for the automatic funding, as Senator Stevens will tell you, but the constant harping on this point combined with deliberate misinformation spread by wilderness advocacy groups has made the defense of this provision burdensome and has by design, distracted many from the real truth about the Tongass. Frankly, we think we can compete for funding on the Tongass with other national forests. Congress has decided it wants an enormous forest in Southeast Alaska, and that is not without cost. If I buy a big house, I've got to consider maintenance costs, which will be higher for a big house. Likewise, Congress must understand that the public interest of having a huge National Forest carries with it the responsibility of properly funding its maintenance. To do less is to shirk our stewardship responsibility to the people of the United States.

With the adoption of the bill introduced by Senators Murkowski and Stevens, the Committee would be in a better position to exercise the proper oversight functions on the Tongass, without throwing the baby out with the bathwater, as some wilderness lobbying groups would have

us do. In addition, the Committee would spare itself the time-consuming fancy footwork necessary for the slippery slope that will accompany forest management nationwide if Tongass legislation is adopted which rejects the planning process Congress set up for itself under the National Forest Management Act (NFMA) in 1976. Since the Tongass is the first forest undergoing review under that Act and all others must follow, a political decision in Washington rejecting the planning process will signal to those who prefer political decisions that Washington is the place to do business, and the NFMA will be gutted for the forest system as a whole. Those who have been through the RARE I, RARE II, and Wilderness Release Language battles before can look forward to one more series of the same old battles, fought with the same old emotional claptrap we have all heard so many times before. Meanwhile, people who live in or near forests throughout the country will once again be held hostage to the political process----afraid to invest, to make business decisions, to make any long term plans---that is the case in Southeast Alaska today, and I don't wish it on anyone else.

In sum, I hope the Subcommittee will visit the Tongass and see for yourselves the progress Alaskans are

making in making a living from our largest forest. Their jobs are not easy ones, but they work honestly and willingly. These people are truly the salt of the earth, and I am proud to be their congressman. I urge the Subcommittee to allow them to continue their way of life.

(Attachments follow:)

Tongass Facts

1. Ninety percent of the area within the Tongass National Forest will never be logged.
2. Two-thirds of the forested land within the Tongass will never be harvested.
3. One-third of the area of the Tongass is wilderness (5.4 million acres of 17 million).
4. Once cut, the forest of the Tongass reseeds itself, returning a forest with a higher percentage of Sitka Spruce (the most valuable species) and with relatively even-aged and -sized trees which can be put through sawmills, rather than pulp mills, yielding a much higher end value product.
5. The commercial timberlands of the Tongass are among the most productive in the world.
6. Prince of Wales Island, the most heavily logged and roaded island in the forest, now has a bag limit of six deer per person. While the wildlife biologists keep saying the numbers will go down, they continue upward.

Why the 4.5 is important

The 4.5 billion board feet per decade is a timber land inventory.

It requires that the Forest Service keep enough land available within the Forest to provide 4.5 billion board feet of timber to industry if market demands.

If market demand is not high, the Forest Service would not be required under the Stevens-Murkowski proposal to spend the money to make the timber available, but it would be required to keep enough lands in multiple use to supply the timber if demand was there.

TESTIMONY BY

Martin R. Pihl, President and General Manager
Ketchikan Pulp Company

BEFORE

The Subcommittee on Forests, Family Farms
and Energy of the Agriculture Committee
U.S. House of Representatives

Washington, D.C.

March 15, 1989

Mr. Chairman and members of the Committee, thank you for this opportunity to testify. My name is Martin R. Pihl. I am President and General Manager of Ketchikan Pulp Company (KPC). I have been a resident of Ketchikan and an employee of KPC for 27 years. Accompanying me today are Owen Graham, our Logging Manager, and Steven Lambert, a partner with the law firm of Hopkins, Sutter, Hamel & Park, to assist in answering any questions you might have that are not covered in my prepared remarks.

Since so many erroneous statements have been made about the topic, my remarks today will deal primarily with the long-term contract between the United States and Ketchikan Pulp Company (A10fs-1042), as currently modified. It should be made clear at the outset, however, that for reasons detailed in earlier testimony we respectfully oppose passage of legislation which is designed to undo the 1980 ANILCA compromise, to circumvent the Congressionally-mandated planning process, to lock up additional land base, and to lower the harvest levels on the

Tongass National Forest. In most respects, proponents of Tongass reform legislation have as their real objective to destroy the timber industry in Southeast Alaska which will have drastic effect on the economic viability of the area.

As to individual contracts, desired changes, if indeed legitimate concerns exist, can and should be handled between the parties. Such modifications have been made in the KPC contract over the years as needs have arisen. We submit that the history of KPC's performance under its contract indicates the appropriateness of the bargaining table -- not the halls of Congress -- as the proper forum to make necessary revisions, if any, to the agreement between KPC and the federal government. We do not believe issues concerning individual contracts should be driving legislation which has far reaching impact on the people and communities of Southeast Alaska.

BACKGROUND

The joint resolution of the House Interior and Agriculture Committees adopted in 1947 which recommended and authorized the Secretary of Agriculture to sell timber within the Tongass National Forest clearly stated the intent, need, objectives and the importance placed on establishing a timber industry in Southeast Alaska in the following quotation from that authorizing legislation:

[I]t is believed that the prompt enactment of this measure is of the utmost importance

to the Territory of Alaska and to the United States as a whole.

A large-scale development of the timber resources in southeastern Alaska, involving the establishment of important business enterprises and the employment of many persons for extensive operations on a year-round basis, is essential to the maintenance of a prosperous and stable economy in the Territory. Heretofore, Alaska has been handicapped by the seasonal nature of the principal industrial activities conducted within the area. A timber program of the sort mentioned by the Secretary of the Interior would be of great benefit in assisting the people of Alaska to progress from the present dependence upon seasonal business operations. Moreover, such a development within the Territory would be a great value to the Nation as a whole, both from the standpoint of making available to the national economy valuable and sorely needed products from the great forests in southeastern Alaska and from the standpoint of promoting the national defense through increasing the population and industrial capacity of Alaska as our "Northern Rampart."

Culminating many years of effort and negotiations by Forest Service officials on behalf of the U.S. Government, KPC entered into the first long-term contract in 1951. KPC, a domestic company from its inception, remains the holder of this contract. This contract represented the Government's first success in finding a private party willing to invest the huge sums of money necessary to build a pulp mill in Southeast Alaska.

This was an undertaking with definite risks, but this pioneering venture established the foundation for the many operations working under the management of the U.S. Forest Service to put to work and renew a small portion of a decaying

forest through sustained yield forestry. KPC, consistent with the expectations of the long-term contract, has worked hard over time to develop complete utilization and maximum value of the timber resource being harvested in Southeast Alaska.

CURRENT OPERATIONS

We operate fully integrated forest products operations starting with our logging timber harvest operations concentrated on the northern half of Prince of Wales Island and the northwest corner of Revilla Island. Working with the Metlakatla Indian Community we operate sawmill facilities on Annette Island. Attached as Exhibit E is a copy of Mayor Atkinson's letter of August 22, 1988 explaining the importance of this operation to the Metlakatla Indian Community. We are currently bringing on line a new \$13 million small log sawmill at Ward Cove which will produce 60 million board feet of planed dimension lumber annually for export and domestic markets. Our new sawmill has created 75 new jobs and is a major advancement in utilization to develop maximum values and improved economics in the forest harvest and conversion equation. This will result in higher stumpage values and payments to the Federal treasury and local government bodies. These operations are supported by and operated in conjunction with our pulp mill at Ketchikan.

ENVIRONMENTAL STEWARDSHIP

We have attached as Exhibit A a three-page "History of Environmental Control at Ketchikan Pulp Company (1/27/89)", which outlines our record of environmental stewardship over the entire term of our operations. You will note that care for the Alaska environment was recognized when our mill was built in selecting the magnesia base pulp process which employs chemical recovery. We are currently meeting National waste water discharge standards. We have met air emission standards on our recovery boilers since 1978. We are proud of this record and intend to continue good stewardship of the environment.

EMPLOYMENT

Our operations have met the goal of bringing substantial year-round employment to southern Southeast Alaska. KPC currently has 900 employees. By July 1, 1989, this will increase to 950 with two-shift operation of the new sawmill. KPC supports direct employment including contract logging, road building and transportation personnel of 1,200 to 1,500 in the greater Ketchikan - Metlakatla - Prince of Wales area of Southeast Alaska. KPC is by far the largest employer in this region, and much of the service and support industry is dependent upon the continued viability of our operations. Previous to the establishment of our operations, employment in the area was totally seasonal and boom-bust cycles had been the

rule. Southeast Alaska today is the bright spot in the Alaska economy because of the strong renewable resource industries in our region.

KPC's employment base mirrors the population make-up of Southeast Alaska. Alaska Natives comprise 35% of the total workforce at KPC. At our sawmill complex on Annette Island, 80-90% of the employees are members of the Metlakatla Indian Community.

Our employees enjoy steady work, good wages and benefits. Indeed, during 1988 our average full-time worker earned \$40,800, plus benefits. These amounts of compensation are greatly in excess of the private employment statistics for our state as a whole. Commencing in February, 1987 we instituted a profit sharing plan for all employees. Under this plan ten percent of the company's pre-tax profit each month is shared equally on a per capita basis with all employees. During 1988 profit sharing added \$3,300 to each employee's annual earnings. Gross salary and wages for all KPC employees in 1988 amounted to \$32,000,000, plus benefits. Total KPC expenditures in the Ketchikan - Metlakatla - Prince of Wales economy are over \$5,000,000 monthly.

More than anything, we want to emphasize that KPC's position, on behalf of its employees . . . its shareholders . . . and the communities in which we operate, is simple. We desire that the U.S. Government live up to its commitments which are part of the long-term contract. We know how to manage a forest products operation . . . to log, and operate

sawmills and a pulp mill . . . all on the basis of generating the highest economic return and value to the tree. We know how to accomplish these tasks within the framework of our long-term contractual relationship with the federal government. We have operated on the contract . . . through thick and thin . . . for 35 years. Our achievements are the result of the efforts of our dedicated employees, many of whom have worked at KPC for extensive periods of time.

MARKETS

We have seen dramatic recovery since 1986 in markets for both pulp and lumber. Attached as Exhibit B is a summary of KPC total net sales by country for the years 1986, 1987 and 1988. Environmentalist claims that our markets are being eliminated and that our products all go to Japan are simply untrue. While Japan is, and always will be, a very important customer, we do business in broad domestic and world markets. KPC exports of \$134 million in 1988 clearly make a substantial contribution toward a favorable balance of trade for our Nation.

In August 1987, the world market price of dissolving pulp passed the previous all-time high set in 1980. Market improvements have progressed steadily quarter-to-quarter since 1986 and improvement is continuing into 1989. Attached as Exhibit C is a summary of KPC net pulp sales by country for years 1986, 1987 and 1988. This shows broad marketing in that in 1988 we shipped 21 percent of our pulp to important domestic

customers, some of which use our pulp in the defense industry, and the balance was shipped to 20 countries world-wide to every continent except Australia and Antarctica. No country took over 22 percent of our export pulp. The largest customer base was in Taiwan, with India second.

The applications of Ketchikan dissolving pulp are extensive. Listed below are some of the myriad of end products produced from KPC pulp:

1. Viscose Rayon - clothing, upholstery, curtains, carpeting, industrial belting, hosing, tires, cellophane/packing, sponges, twine, bristles and flock.
2. Cuprammonium Rayon - high fashion clothes, women's undergarments, suit linings, artificial kidneys, non-wovens, i.e. disposable protective clothing.
3. Nitro Cellulose - dice, encapsulated electronic equipment and other moldable products, high speed printing inks, explosives and lacquers.
4. Microcrystalline Cellulose - pills and caplets, dietary bakery goods, emulsifiers, i.e. sandwich spreads, low calorie ice creams and cosmetics.
5. Carboxymethyl and Ethyl Celluloses - emulsifiers, i.e. paints and coatings.

6. Specialities - formica, artificial leathers, molded luggage and laminates, tissue and specialty papers.

Thus, cellulose, a basic component of wood, is purified in the pulp process and converted into numerous useful end products in today's world of modern technology.

STABILITY OVER TIME

The existence of a viable pulp mill(s) provides the real assurance of continuing the many hundreds of year-round jobs in the timber industry. Without our pulp mill greatly aggravated unemployment would have occurred in our region during the period 1981 through 1985, when our local timber industry, as did the forest products industry elsewhere, faced the most severe and prolonged recession in its history. The current replacement cost of KPC's pulp mill, would be at least \$400 million. With this asset-investment base, with the long-term agreement with the United States for timber supply, and with a world-wide customer base developed over time, one is driven to manage and operate a pulp mill through both good and bad markets. Sawmills also are a vital part of integrated timber operations, and KPC has three sawmills, but time and practice has shown it is an easier decision to shut down sawmills when markets are poor. In contrast, a pulp mill continues to run based on incremental economic contribution considerations.

It is true that the timber industry in Southeast Alaska went through very difficult times in the first half of the 1980's. There were many factors which combined to aggravate and extend the down cycle. However, since 1985 the situation has thankfully changed for the good. This dramatic change has occurred for several reasons. Our situation during the early 1980's was greatly aggravated by the inordinate escalation in logging costs, which began in the early 1970's and continued thereafter. A large part of the cost escalation was driven by enactment of laws and implementation of regulations by Congress and the Forest Service. Our analysis shows that the cost to KPC alone of logging cost increases above general inflation amounted to \$155 million from 1970 through 1985. Since 1986 logging costs have been brought more in line. This has been one of the key factors in our dramatic economic recovery.

We have restructured our operations and costs internally so that today we believe we are as competitive as we can be in these areas. Forest Service appraisals, using regional average data, in determining the stumpage rates for KPC's contract on March 1, 1984 compared with August 1, 1988 show a \$75 per MBF (log scale basis) reduction in manufacturing costs for conversion of logs to lumber and pulp. KPC has consistently been an industry leader in developing economics of return on the forest harvest. KPC's construction of its new small log sawmill at Ward Cove during 1988 is a significant example of this effort.

CAPITAL INVESTMENT - DYNAMICS

Continuing to build for the future and relying on its contract with the government for timber supply, KPC made the follow capital investments during 1988:

	<u>\$ millions</u>
1. Construction of new small log sawmill (completed March 1989)	\$11.8
2. Logging equipment	6.0
3. Pulp mill additions and improvements (including environmental control facilities)	9.0
4. Logging roads	<u>8.5</u>
	<u>\$35.3</u>

KPC STUMPAGE RATES ARE POSITIVE

The economics of Southeast Alaska forest harvest and processing are now solid and returns for economic stumpage are very positive. Under the upward stumpage adjustment provision in KPC's contract (Sec. 2(c)2), effective August 1, 1988 the Forest Service has adjusted the stumpage rate up to an average for all species of \$49.15 per thousand board feet (MBF). This represents a 23-fold increase from the rates set by the Forest Service effective March 1, 1984. With continuing quarterly market improvements, Forest Service Appraisal Handbook Directive #57 issued on December 28, 1988 indicates an average

stumpage rate in the range of \$75 to \$90 per MBF. The Forest Service is using Appraisal Handbook Directive #57 in reappraising KPC's stumpage rates effective March 1, 1989.

Only in Alaska does the Forest Service collect and use end-product pulp selling values in the appraisal process and setting of stumpage rates. This means the Forest Service is able to use actual product values and the entire economic equation of Southeast Alaska forest products operations in managing the forest and determining stumpage rates.

We have all heard environmental claims that the price for cutting a giant old-growth spruce tree is equated with the price of a "Big Mac". In fact, the KPC stumpage rate recently redetermined by the Forest Service for saw volume spruce is \$258 per MBF, meaning the stumpage price for an individual eight foot dbh (diameter at breast height) spruce tree is \$5,000 or more. In the same Forest Service stumpage redetermination for KPC, the average stumpage rate for Alaska Yellow Cedar is \$599 per MBF.

This clearly indicates that the "Below Cost Issue" should no longer be an issue. The bottom line of forest harvest, development of integration, and free enterprise practice by KPC is enhancement of economics and stumpage values.

LONG-TERM CONTRACT(S) - THE FOUNDATION

There can be no question but that the long-term contract(s), together with the pulp mill(s) constructed as a

requirement of the contract, is the foundation of the timber industry in Southeast Alaska. On these foundations the timber industry has become the year-round and a principal mainstay of the economy of Southeast Alaska.

The General Terms of KPC's long-term contract describe clearly the underlying conditions and assumptions. Both the U.S. Government and KPC stated their intention to facilitate the pioneering of a larger scale timber industry which has become a primary and the only year-round industrial base underpinning the economy of Southeast Alaska. The old growth climax forests of Southeast Alaska contain a high percentage of over mature and decaying material which is not saw grade and is only suitable for pulp. (Pulp grade material comprises nearly 50 percent of the volume of timber harvested in the Tongass.) For this reason, officials of the U.S. Forest Service knew it would necessitate construction of a pulp mill to provide a foundation for developing the timber industry.

Today, having the pulp mill(s) supported by its long-term contracts is as essential as ever before . . . for these reasons:

1. The shrinking federally-owned land base available for multiple use forest management due to wilderness withdrawals, reserves and study areas and Alaska Native land selections has forced harvest on the Tongass to lower quality timber stands containing an even higher percentage of pulp grade material than was the case in earlier years.

2. To remain viable independent sawmill and logging operations throughout Southeast Alaska must have assured outlets for both residual chips and pulp grade material on a continuing basis.
3. The pulp mill serves as an essential outlet for pulp grade material from the harvest on native lands. Substantial harvesting has occurred on private land since 1980. This logging, which should not be confused with Tongass National Forest operations, has added a new dimension, at least temporarily, to the timber industry in Southeast Alaska.

Also today, KPC's contract is no longer "long-term".

There are only 15 years remaining on the initial 50 year term. Short-term contracts run up to 10 years.

And tomorrow, meaning over the next few years and on into the future, the contract-pulp mill foundation will be ever more important to the people and economy of Southeast Alaska, since the volumes of harvest from Native private lands will greatly diminish as a result of the cut-over of these land areas.

PROVISIONS OF THE KPC CONTRACT WITH THE UNITED STATES

The KPC Contract with the United States has been mischaracterized at times during recent discussions about pending legislation affecting the Tongass National Forest. A

copy of the current agreement has been supplied previously and should be reviewed closely. The following comments are accurate as to the KPC agreement itself.

VOLUME REQUIREMENTS

The KPC Contract provides, both in the Preamble and in Section 1, that the Government will provide KPC no less than 1.5 billion cubic feet (or 8.25 billion board feet) of timber from designated areas of the Tongass National Forest during the initial 50-year period of the contract. The designated sale area, also called the primary area, is located generally on the northern half of Prince of Wales Island and the northwest corner of Revilla Island in Southeast Alaska. Provision is made in Section 1(a) of the Contract for additional areas (called contingency areas), if the requisite volume is not found in the primary area. Section 1(e) of the Contract gives the Regional Forester the right to sell two percent of the volume in any value comparison unit (VCU) in the primary sale area to others for ultimate use in Southeast Alaska, if such sale will not materially interfere with the operations of KPC.

The following chart indicates amounts harvested by KPC under the Contract since its inception:

<u>Period (CY)</u>	<u>Volume (MBF)</u>
1954-1978 (24 + years)	3,776,089
1979-1983 (5 years)	596,720
1984-1988 (4 years)	<u>747,652</u>
TOTAL 1954-1988	<u>5,120,461</u>

This clearly shows contract performance by KPC in maintaining timber harvest levels.

Thus, at the end of 1988, a total of 3,129,539 MBF remained to be harvested during the next 15 years. During calendar year 1989, KPC expects to harvest an additional 220,000 MBF (220 million board feet). Utility log scale volumes are counted as part of the KPC long-term sale volume.

For administrative and management purposes, the Contract term is broken into five-year periods, pursuant to Section 1(b) of the Contract. Currently, at least 960,000 MBF must be offered to KPC during each five-year term, or 192,000 MBF per year.

Pursuant to the Contract, the timber offered must be economically viable. Given the pricing mechanism under the Contract (under which KPC must pay no less than base rates for timber to be harvested, even if the appraised value is lower), the Forest Service must select sale areas that make economic sense, since Section 1(d) of the Contract requires that KPC cannot be placed in "a disadvantageous position with respect to similar enterprises in the Puget Sound region."

FOREST SERVICE PLANNING PROCESS

The Forest Service Timber Management program of necessity must be geared to meet the volume commitments of each program or division of its planned annual harvest. The planning process and NEPA process for each timber sale cutting unit is the same regardless of the contract term, total contract volume, or type of timber sale. Cutting units are small blocks of timber currently limited by the National Forest Management Act to a normal maximum size of 100 acres. Since the planning and permitting process is the same for each cutting unit, it makes little difference whether volume commitments are met in a large number of smaller volume timber sales or a lesser number of larger volume sales.

Any potential impact of the larger volumes associated with the KPC agreement on the planning process would occur only if the Forest Service administratively delayed or changed the specific areas to be harvested. The impact of the larger volumes of the KPC long-term sale is integrated into the planning process by using the following steps:

1. Preliminary selections by the Forest Service for the upcoming five-year period are to be made one-year in advance to facilitate scheduling of operations and to allow the Forest Service time to do an adequate appraisal.

2. Designation of and establishment of cutting unit boundaries are made by the Forest Service as its planning and lay-out is completed during the five-year period.
3. Releases to KPC for road building and harvest are made 90 days in advance of operations, and annually KPC submits a harvest plan for approval by the USFS. The release and harvest plan approval process is much narrower than the five-year plan.

In terms of timing of similar tasks, the only difference could be that the smaller-volume timber sales are generally more fully marked on the ground prior to bidding, as compared to the situation involving the volume associated with the KPC long-term contract at the beginning of a five-year period. However, no difference exists if one compares the level of pre-bid planning on the smaller volume timber sales to the planning which has occurred prior to release of a cutting unit to KPC for harvest.

KPC CONTRACT AMENDMENTS STATUS

KPC's long-term contract has been modified in all respects for consistency with Section 15(b) of the National Forest Management Act (NFMA). Forest Service Chief Robertson confirmed this in testimony on December 10, 1987. Even prior

to enactment of NFMA in 1976., a number of changes similar in nature to those mandated by NFMA had been made. In 1979, contract sections 1(c), 1(f), 8, 10, 20(a), 20(b), 21(a), 21(c), and 26 were changed with specific identification by the Forest Service as being NFMA-mandated. A summary and specific section-by-section language changes as submitted by the Forest Service on these contract modifications is attached as Exhibit D. The Forest Service has made other changes such as in Section 4 which further NFMA compliance but were not identified as NFMA-mandated.

Moreover, the Forest Service has, in many cases, imposed change in the management and operation of KPC's contract well beyond the standards and requirements OF NFMA and TMP. For example, our clear-cut size has averaged about 65 acres whereas the standard set by NFMA is 100 acres (or larger when consistent with silviculture and environmental standards).

Important contract provisions to the Government dealing with upward stumpage price adjustment and protection for species variation which were negotiated into the KPC agreement effective January 1, 1987, are discussed below.

PRICING OF STUMPAGE

Stumpage appraisal values for every sale of timber from the Tongass National Forest are determined in the identical manner, using the same Forest Service handbook procedures and data.

Many factors influence the price of stumpage paid on individual timber sales, including supply, demand, quality of timber, utilization standards, location, physical factors, volume per acre, cost of access and facilities, etc. The Forest Service, in materials previously submitted to the House Committee on the Interior, stated the following:

The appraisal method and data does not differ between the two types of sales. Both use the same appraisal process and the most recent selling price and cost data available at the time of the appraisal. Short-term sales are generally of better quality, contain a greater proportion of higher value species and have less difficult access, camp and road requirements (emphasis added).

Later in the same submission, the Forest Service states:

It must be remembered that the long-term sales were sold with much different requirements and financial responsibilities than are short-term sales. First, the holders of the long-term sales were required to build and continue operation of a pulp mill. In addition, they must meet maximum and minimum cutting schedules, as well as face uncertain harvest areas and logging requirements in future rate periods. The price set through the rate redetermination process cannot be refused such as in the case of a short-term sale bidder. The small sale operator has the flexibility of choosing the sales on which to bid, and can select those which appear to provide a desired economic return at the price bid.

Short-term sales normally occur on areas where some portion of the road systems have been previously completed by a long-term or other sale operator. The Forest Service has concentrated preroad expenditures to benefit short-term

sales. Such benefits properly should be reflected in higher appraisals and stumpage prices.

A very important stumpage price difference exists due to differences in utilization standards. Several years ago the standards of SBA and independent timber sales were relaxed to require removal only of all material in excess of 50 board feet. KPC removes all material down to the earlier more rigid 10 board foot standard. This difference should produce a difference in stumpage prices.

A number of provisions of the KPC contract bear directly on the valuation of stumpage. Notable among them are:

- Section 1(d) -- Puget Sound clause;
- Section 2(a) -- Initial Rates and Adjusted Rates;
- Section 2(b)1 -- Scheduled Rate Redetermination;
- Section 2(b)2 -- Periodic Rate Adjustment;
- Section 2(c) -- Emergency Reappraisals;
- Section 2(d) -- Minimum Stumpage Rates; and
- Section 2(e) -- Contract Modifications.

Nearly all of the remaining provisions of the contract ultimately have some bearing on the stumpage value. This is not unlike most commercial contracts.

One issue that has been distorted in earlier testimony in Congress is the adjustment of stumpage rates during the five-year operating period. The KPC contract does provide for both upward and downward adjustment of stumpage rates during

the relevant five-year period, if there is a determination within the period of substantial changes in markets or other pertinent economic conditions affecting the Forest Service appraisal. Statements to the contrary are simply wrong. We have already noted the effect of just such a recalculation by the Forest Service effective August 1, 1988.

Another issue which has been distorted relates to the so-called "high-grading" issue. Section 2(b)2 of the KPC Contract provides for quarterly recalculation of stumpage rates based on actual species volumes harvested if at variance with the species estimates used by the Forest Service in its appraisal. Again, statements to the contrary are simply wrong.

CANCELLATION OF THE KPC CONTRACT IS UNWARRANTED AND BAD POLICY

Earlier in this testimony I have tried to explain the importance to KPC of its long-term agreement with the United States -- and the importance of the continued viability of our pulpmill operations to the timber industry and overall economy of Southeast Alaska. I have described the contents of that agreement and hopefully have shown that our current contract meets alleged concerns that have been expressed earlier by some who seemingly have not read our contract and clearly do not understand how it operates. We at KPC believe we have met our part of the bargain and respectfully submit that cancellation of the contract does not make rational sense from a policy standpoint.

In addition, there are legal ramifications to cancellation of the KPC contract. KPC believes that under well-established and fundamental legal principles, the Congress is not at liberty to cancel the KPC long-term sale. Contracts with the United States, as do other kinds of contracts, give rise to private rights, and it is well settled in the decisions of the U.S. Supreme Court and the lower federal courts that unilateral cancellation by the federal government of one of its contracts deprives the private party thereto of property without due process of law. We have therefore been advised that legislation affecting a cancellation of KPC's contract would be subject to a strong challenge under the Due Process Clause of the Fifth Amendment.

Even if contract-termination legislation survived a constitutional challenge, Congress by enacting such legislation would undertake for the federal government a substantial financial obligation if it cancels the KPC contract. Legislative cancellation would effect a total breach of the KPC contract and/or a taking of private property from KPC for which the Fifth Amendment imposes the requirement upon the government to pay just compensation to KPC.

If treated as a breach of contract, legislative cancellation of the KPC contract will make the government liable for all damages resulting from the breach. The concept pursuant to which damages are measured is placing the non-breaching party -- i.e., KPC -- in as good a position as it would have been in if its contract was fully performed by the

government. Under this standard, damages normally include at least the contractor's expenditures and losses in performing the contract and, if properly proved, the full measure of the profits that would have been realized through full contract performance. The breach would also be subject to the interest provision of the Contract Disputes Act. The \$50,000 performance bond paid by KPC would also be subject to recovery.

If considered to result in a Fifth Amendment taking, legislative cancellation of the KPC contract would require the government to pay just compensation to KPC -- that amount which would reflect the full monetary value of the taken property. Under "takings" analysis, the contractor is to be put in the same position, monetarily, as if its property had not been taken. Here, KPC would be entitled to be placed in the same position it would have occupied if the contract was not cancelled. As the contract guarantees KPC a sufficient quantity of timber for the "full scale operation" of its mill, one component of just compensation would be the added cost to KPC of obtaining from other sources if other sources are shown even to exist to allow continuation of the pulpmill, timber of sufficient quality and in sufficient quantity to replace what is was assured under the contract. In addition to the value of "replacement timber", there is strong precedent supporting the inclusion in the award of just compensation of amounts intended to reflect the increased costs to KPC of hauling or transporting replacement timber to its mill and its losses due to costs KPC incurred in fulfilling its contract obligations --

i.e., road construction and mill construction costs. Finally, it is settled law that compensation for a taking must include "damages for delay in payment" -- commonly measured as interest -- running from the date of taking (here, contract cancellation) until the date the full measure of compensation has been paid.

Neither the contract damage nor the just compensation formulas take into account the additional and substantial amount the government should pay workers displaced and/or dislocated as a result of the negative impact contract termination would have on the employment situation at the KPC mill facilities.

CONCLUSION

We are confident we can be successful and continue to provide jobs and the significant economic base for the people of Southeast Alaska if the United States will meet its responsibilities under our contract.

Mr. Chairman, during the various Tongass hearings, you will hear drastically different perceptions of life in Southeast Alaska -- from those who wish to see balanced use of its magnificent resources continue . . . and from others desiring to decimate its economy. However, there can be no legitimate disagreement as to the importance of the federal government's contractual commitments to KPC and its moral commitments to the people of Southeast Alaska. KPC's rights are clear . . . they

are found in our long-term contract. Should these promises to KPC be broken, it would indeed be unfortunate, but my company can be reimbursed with money. Breaking the moral commitment made to the people in Southeast Alaska -- first in 1951, and again in 1980 -- and by so doing destroying the entire economic fabric of the region -- would be a travesty. Such a breach would destroy lives, families and communities -- in ways money could never remedy. As an Alaskan and an American interested in a federal government whose word you can trust, I respectfully request that you consider carefully this issue involving Southeast Alaska before you today.

(Attachments follow:)



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The History of Environmental Control at Ketchikan Pulp Company

When the KPC pulp mill was built in 1954, the environment and minimizing impacts on water quality were recognized in the selection of the MgO pulping process which employs chemical recovery. The chemical recovery system for spent pulping liquor was initially comprised of one set of liquor evaporators and two chemical recovery boilers. As production increased, a second set of evaporators and a third recovery boiler were added in 1957. In 1966 a fourth recovery boiler was constructed to maintain high levels of chemical recovery of spent pulping liquor. At that time this recovery system represented "state of the art" environmental controls. This system remains as an integral component in most of the following environmental control programs. Chemical recovery in 1966 was in the ninety percent range.

In 1971 KPC constructed a log bundle handling facility to reduce bark losses into Ward Cove and a primary wastewater treatment plant to recover and burn fine bark and wood particles that had previously been discharged into receiving waters. These two projects were on line in 1973. Additionally, the Company installed a 500,000 gallon emergency spent liquor storage tank which was placed in operation in 1975. The total capital costs for these projects was approximately \$7 million dollars.

In 1976 under an agreement with EPA, the Company undertook a three year phase progressive BOD discharge reduction program. The reductions were accomplished by a unique combination of internal pulp mill

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modifications including installations of a third set of liquor evaporators and external secondary wastewater treatment facilities. This program which was implemented at a cost of \$22.7 million dollars resulted in a BOD reduction from 160,000 pounds per day to 52,500 pounds per day which was, at that time, EPA's required discharge limitation. Chemical recovery at the conclusion of this program was approximately ninety-five percent.

In 1985 the Company entered a second three year program agreement with EPA under which KPC has incrementally reduced BOD discharges from the aforementioned 52,500 pounds per day to EPA's new BPT discharge limit of 32,400 pounds per day by the conclusion of the program. All of the prescribed interim discharge limitations were promptly met, solely through in-plant changes and modifications and at present we are in compliance with National Standards. The total cost of this program is approximately \$7 million dollars. Additionally the Company is expanding its Secondary Treatment facility, which when completed in July 1989, will allow KPC greater production flexibility. Chemical recovery is currently at ninety-eight plus percent.

Air emissions from KPC's facility primarily emanate from four red liquor recovery boilers and two oil fired/wood waste boilers. Regulated emissions include both sulfur dioxide and particulate matter. All of the extremely odorous reduced sulfur compounds commonly associated with chemical wood pulping and in particular the Kraft sulfate process are simply not found in the magnesium bisulfite process. Therefore, there is no concern or need for odor control limitations or processes at KPC.

In terms of recovery systems emissions, the original mill design for "full" chemical recovery was such that sulfur dioxide emissions have always been significantly lower than any applicable standards. In

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1978, after developing methods to analyze particulate matter in wet stacks and after extensive pilot testing, the Company installed a \$1 million dollar particulate control system on the combined gas streams from the recovery process. The recovery systems were certified to be in compliance in 1978 and remain in compliance with State requirements.

Since 1974 the Company has spent approximately \$2 million dollars on high efficiency dust collectors on its two wood waste power boilers. These improvements have enabled the Company to get extremely close to compliance with particulate emission standards and would be in compliance if it were not for soluble sea salts in our hog fuel, which are caused by salt water transportation of logs.

In December of 1987, KPC entered into an agreement with Alaska's Department of Environmental Conservation to achieve final compliance with particulate emission requirements. This program calls for significant modifications to the Company's two wood waste boilers. The 2.5 million dollar project was completed in November 1988. When the agreement with the State of Alaska is concluded, the Company will be in compliance with applicable emission standards.

January 27, 1989

KETCHIKAN PULP COMPANY
Total Net Sales by Country
1986 - 1988

(\$000'S)

Country	1986	1987	1988
Argentina	\$ 1,289	\$ 1,431	\$ 2,484
Austria	0	241	253
Bangladesh	0	795	0
Belgium	1,576	1,864	2,305
Bulgaria	330	0	0
Canada	0	0	76
China	5,734	11,221	12,154
Czechoslovakia	0	0	332
Egypt	3,871	4,278	3,022
France	0	0	32
Germany	1,463	1,558	3,200
Holland	115	0	130
Hungary	0	0	37
India	8,184	15,708	16,337
Indonesia	751	565	1,781
Japan	29,660	34,621	41,441
Korea	7,445	6,595	9,656
Mexico	440	705	1,086
Netherlands	0	111	0
Poland	0	2,016	5,964
Russia (USSR)	2,089	2,564	6,754
Spain	1,189	0	2,404
Taiwan	9,464	16,663	21,965
Thailand	<u>802</u>	<u>2,039</u>	<u>2,389</u>
NET EXPORT (\$000)	<u>\$74,402</u>	<u>\$101,076</u>	<u>\$133,799</u>
NET DOMESTIC (US \$000)	<u>\$12,926</u>	<u>\$ 18,840</u>	<u>\$ 27,108</u>
TOTAL NET SALES (\$000)	<u>\$87,328</u>	<u>\$119,916</u>	<u>\$160,907</u>
PERCENT INCREASE OVER PRIOR YEAR:			
1) IN EXPORTS		36%	32%
2) IN TOTAL SALES		37%	34%

EXHIBIT C

KETCHIKAN PULP COMPANY
Net Pulp Sales by Country
1986 - 1988

(\$000)

Country	1986	1987	1988	1988 % Total Exports
Argentina	\$ 1,289	\$ 1,431	\$ 2,484	2.0%
Austria	0	241	253	0.3%
Bangladesh	0	795	0	0.0%
Belgium	1,576	1,864	2,305	2.6%
Bulgaria	330	0	0	0.0%
China	5,734	10,881	12,154	13.5%
Czechoslovakia	0	0	332	0.4%
Egypt	3,871	4,278	3,022	3.4%
France	0	0	32	0.0%
Germany	1,463	1,558	3,200	3.6%
Holland	115	0	130	0.1%
Hungary	0	0	37	0.0%
India	8,184	13,808	16,337	18.2%
Indonesia	751	565	1,781	2.0%
Japan	10,717	8,178	9,023	10.0%
Korea	3,406	146	149	0.2%
Mexico	440	705	1,086	1.2%
Netherlands	0	111	0	0.0%
Poland	0	2,016	5,964	6.6%
Russia (USSR)	2,089	2,564	6,754	7.5%
Spain	1,189	0	2,404	2.7%
Taiwan	9,223	16,186	20,067	22.3%
Thailand	802	2,039	2,389	2.7%
TOTAL PULP EXPORTS	<u>\$51,178</u>	<u>\$67,366</u>	<u>\$ 89,901</u>	<u>100.0%</u>
DOMESTIC PULP SALES	<u>\$11,742</u>	<u>\$16,708</u>	<u>\$ 24,043</u>	
TOTAL PULP SALES	<u>\$62,920</u>	<u>\$84,074</u>	<u>\$113,944</u>	
PERCENT INCREASE OVER PRIOR YEAR		<u>34%</u>	<u>36%</u>	

NFMA MODIFICATIONS TO LONG TERM CONTRACTS

THE NATIONAL FOREST MANAGEMENT ACT OF 1976 REQUIRED THAT IN DEVELOPING 5 YEAR OPERATING PLANS FOR THE 50 YEAR CONTRACTS IN ALASKA THAT MODIFICATIONS OF THOSE CONTRACTS MUST BE MADE TO BRING THEM INTO CONFORMANCE WITH STANDARDS AND GUIDELINES OF APPLICABLE LAND AND RESOURCE MANAGEMENT PLANS. ON THE KETCHIKAN PULP SALE THE FIRST OPPORTUNITY TO THIS WAS IN THE 1979 TO 1984 OPERATING PERIOD. FOR THE ALASKA PULP CORP SALE THE FIRST OPPORTUNITY WAS IN THE 1981 TO 1985 OPERATING PERIOD. FOR BOTH SALES OPERATING PLANS PREDAATING NFMA WERE IN EFFECT AT THE TIME THE LAW WAS SIGNED.

THE MODIFICATIONS MADE UNDER NFMA TO DATE ARE DETAILED IN THE FOLLOWING CHART:

KETCHIKAN PULP COMPANY

ALL MODIFICATIONS WERE MADE 9/14/79

SECTION 1C: PROVIDES GUIDELINES FOR SELECTION OF HARVEST UNITS, OPERATING AREA MAPS AND OVERALL OPERATING PLAN.

SECTION 1F: PROVIDES FOR RESERVATIONS OF TIMBER FOR OTHER RESOURCE PROTECTION CONSISTENT WITH STANDARDS AND GUIDELINES OF APPLICABLE LAND AND RESOURCE MANAGEMENT PLANS.

SECTION 8: REQUIRES FOREST SERVICE TO ISSUE LOGGING AND CONSTRUCTION APPROVAL NOTICES WITH DETAILED REQUIREMENTS BEFORE OPERATIONS BEGIN ON INDIVIDUAL HARVEST UNITS OR ROAD PROJECTS.

SECTION 10: CLARIFIES WHAT EROSION CONTROL WORK IS TO BE DONE.

SECTIONS 20A AND 20B: REQUIRES PRECAUTIONS TO PREVENT POLLUTION OF AIR AND WATER BY PURCHASER'S OPERATIONS ON SALE AREA.

SECTION 21A: ADDS SPECIFIC REQUIREMENTS FOR STREAM COURSE PROTECTION MEASURES DURING HARVEST AND ROAD CONSTRUCTION OPERATIONS.

SECTION 21C: REQUIRES PROTECTION OF CULTURAL RESOURCES.

SECTION 25: CLARIFIES DUTIES OF FOREST OFFICER WITH REGARD TO SUSPENSION OF OPERATIONS.

Estimote Pulp Company SPMA Changes

All SPMA Modifications made 9/18/79

Section 1(c): Provides guidelines for selection of harvest units, operating area maps and overall operating plan.

Prior to SPMA

1(c). Not less than two years in advance of each 5-year operating period the purchaser shall select logging units for cutting in the ensuing 5-year period. Timber cover and topographic maps of the units selected shall thereupon be submitted to the Regional Forester who may require a substitution for any selected unit if he deems such action necessary to prevent loss of rapidly deteriorating timber killed or damaged by fire, insects or windthrow or to protect other important National Forest interests. The location of the unit boundaries and of the lines of any interspersed patches of low-grade or poorly accessible timber, as drawn by the purchaser to exclude material he considers economically unoperable during the ensuing 5-year period, shall be subject to review and adjustment by the Regional Forester. Not less than one year in advance of each five-year operating period the Regional Forester will notify purchaser of tentative decision on acceptability of units selected for cutting in the ensuing five-year operating period. Should at any time during the life of this agreement, a fire of major proportion, a serious windstorm, extremely damaging insect or disease attacks, or other catastrophe of great amount befall the timber included in this agreement, the Regional Forester may require substitution of the logging units to be cut during the then current 5-year operating period and require the purchaser to readjust his current logging activities for the purpose of salvaging such killed or injured timber.

SPMA Changes

1(c). Guidelines will be based on broad "Guidelines for Selection and Harvest" for ensuing period. Guidelines for Selection and Harvest will be prepared by the Forest Service and submitted to purchaser no less than one year prior to the due date for purchaser's selection of cutting units. Not less than three years in advance of each 5-year operating period purchaser shall select logging units for cutting in ensuing 5-year period. Upon delineating tentative unit selection and tentative transportation system shall thereupon be submitted to Regional Forester who may require substitutions for any selected units if he deems such action necessary to prevent loss of rapidly deteriorating timber killed or damaged by fire, insects, or windthrow, or to protect other important National Forest interests. The location of the unit boundaries and of the lines of any interspersed patches of low-grade or poorly accessible timber as drawn by the purchaser to exclude material he considers economically unoperable during the ensuing 5-year period, shall be subject to review and adjustment by Regional Forester. Not less than one year before ensuing period Regional Forester will notify Purchaser of tentative approval of cutting units planned for harvest during the ensuing 5-year operating period. Final approval will include map showing cutting unit boundaries, transportation system, timber and saw special logging requirements. Included map will constitute "Operating Area Map" for ensuing 5-year operating period.

The Purchaser will submit an Overall Operating Plan for the 5-year operating period within sixty (60) days of the receipt by the Purchaser of the new rates for the ensuing 5-year operating period. Annual Operating Plans will be submitted by January 1, of each year, providing a detailed plan of operations for the following two years. Operating plans are subject to concurrence by Forest Service. Purchaser will be notified of plan acceptance or rejection within 30 days of receipt from Purchaser.

Section 1(f): Provides for reservations of timber for other resource protection consistent with standards and guidelines of applicable land and resource management plans.

Prior to NFMA

1(f). The Regional Forester may reserve from cutting strips and blocks of timber having special scenic value in connection with water courses, recreation sites and highways, or strips or blocks which cannot be logged without causing substantial harm to salmon streams or lakes.

NFMA Changes (All New Wording)

1(f). Reservations for Other Resource Protection. The Regional Forester may reserve from cutting, strips of timber, blocks of timber and individual trees, consistent with applicable land and resource management plans and environmental quality standards.

Prior to making any decision as to when, where, and the extent to which by volume any such reservation will be made, the Regional Forester shall give fair consideration to the dislocative effect such reservation would have upon the purchaser's previously programmed operational plans, to the availability of comparable substitute volumes of timber, and to the purchaser's views with regard to these considerations.

Simultaneously with any such reservation, the Regional Forester shall designate comparable substitute volumes to be made available to the purchaser in exchange for the volumes reserved. The substitute volumes will be made available to purchaser as close in point of time to the effective date of the reservation of timber from purchaser's use as is reasonably possible within the lead-time constraints imposed by the compliance requirements of the National Environmental Policy Act and the applicable implementing regulations under said Act. Substitute volume which cannot be made available to purchaser within the five-year operating cycle in which the reservation is made, will be carried forward and added to the volume entitlement of the purchaser for the next succeeding five-year operating cycle.

In the event of any such reservation by the Regional Forester, either with or without substitution of volumes for the volumes reserved, the Forest Service shall make an appraisal to determine for each species the difference between the appraised value of the remaining timber immediately prior to the reservation and the appraised value of the remaining timber immediately after the reservation. The appraised data used in establishing the current 3-year rates shall be the basis for these appraisals. Rates in effect at the time of the reservation will be adjusted by the said differences to become the redetermined rates for the remainder of the 3-year period.

Unless otherwise agreed, notification by the Regional Forester shall be the effective date for the redetermined rates.

Section 8: Requires Forest Service to issue logging and construction approval notices with detailed requirements before operations begin on individual harvest units and road projects.

Prior to SPMA

8. Logging. As far as may be deemed necessary for the protection of National Forest interests, the plan of logging operations on each of the logging units of this sale area or areas shall be approved by the Forest Officer in charge. When operations are begun on any logging unit, the cutting on that unit shall be completed to the satisfaction of the Forest Officer in charge before the logging equipment is removed from the unit, unless a suspension of operations on and the temporary removal of logging equipment from the unit are authorized in writing: PROVIDED, that such authorization will be granted for suitable periods of time on any area and in any season having conditions which substantially impede or preclude logging operations or when necessary to permit the purchaser to obtain a suitable assortment of log sizes for efficient use of his plant facilities. After decision in writing by the Forest Officer in charge that the purchaser has complied with the contract requirements as to specified units, the purchaser shall not be required to do additional work on such units.

SPMA Changes

8. Logging. In addition to Annual Operation Plan described in Section 1(c), a Logging/Construction Approval Notice, containing detailed requirements, as far as may be deemed necessary for the protection of National Forest interests, shall be issued in writing by the Forest Officer in Charge prior to logging operations and/or road construction on each of the logging units of this sale area or areas. Starting not later than January 1, 1983, the Forest Service will submit Harvest Plans to the Purchaser.

Harvest Plans will consist of completed logging unit harvest plans for all units, and road designs for all roads tributary to roads serving such harvesting area. Harvest Plans submitted to the Purchaser will constitute agreement that survey, design, and unit harvest are complete. Any changes from the Harvest Plan must be by mutual agreement between Purchaser and Forest Service, except as provided for in Section 1(c) of this agreement. Harvest Plans will be submitted to the Purchaser at least ninety (90) days prior to Purchaser's scheduled commencement, as shown in the Annual Operation Plan for road construction and logging operations; PROVIDED that, if the Purchaser approves a change in the Annual Operation Plan that results in less than one year lead time for survey, design, and unit harvest, Forest Service will not be obligated to provide Harvest Plans ninety (90) days prior to the Purchaser's scheduled commencement of road construction for those portions of the Plan that have been revised.

Section 18: Clarifies what erosion control work is to be done.

Prior to RTMA

18. The methods of logging used by the purchaser, including high lead and skidder logging, shall be such as will permit of leaving undisturbed the seed trees and groups of seed trees provided for in Section 8 of this agreement. No unnecessary damage shall be done to young growth or to trees left standing. Undesignated trees which are badly damaged in logging shall be cut if required by the Forest Officer in charge.

Purchaser's operations shall be conducted reasonably to minimize soil erosion. Equipment shall not be operated when ground conditions are such that excessive damage will result. The kind and intensity of erosion control work shall be kept current immediately preceding expected seasonal periods of precipitation or runoff.

RTMA Changes

The kind and intensity of erosion control work done by Purchaser shall be according to the "Erosion Control Plan" developed as a part of the soil survey for logging and/or road construction as required in Section 8. This plan shall be reviewed and adjusted to meet the needs of growing and weather conditions and the need for controlling runoff, prior to completion of skidding or yarding operations as the soil. Erosion control work shall be kept current immediately preceding expected seasonal periods of precipitation or runoff.

Sections 304 and 305: Required precautions to prevent pollution of air and water by purchaser's operations on sale area.

Prior to SFMA

29. The purchaser shall keep all logging camps, mills, and other structures used in connection with this sale and the ground in their vicinity, in a clean sanitary condition, and rubbish shall be removed and burned or buried. When camps or other establishments are moved from one location to another or abandoned, the purchaser shall burn or otherwise effectively dispose of all debris and abandoned structures.

All camp buildings and structures used in connection with this sale shall be located and operated as may be required by the Forest Officer in charge to prevent the pollution of the water in any stream. Outhouses, toilets, and garbage pits shall be constructed and maintained so as to prevent, so far as is possible, the breeding of flies or the development of unsanitary conditions.

SFMA Changes (All New wording)

30(a). Purchaser shall take all reasonable precautions to prevent pollution of air and water by Purchaser's operations. If facilities for employees are established on Sale Area, they shall be operated in a sanitary manner.

Refuse resulting from Purchaser's use, servicing, repair or abandonment of equipment shall be removed from National Forest lands or buried at agreed locations. Purchaser shall not service tractors, trucks or other equipment on National Forest lands where pollution to lakes, streams, or estuaries is likely to occur.

(b). Sawdust and other sawmill refuse shall be disposed so that none will enter any lakes, streams, or estuaries.

Section 21a: Add specific requirements for stream course protection measures during harvest and road construction operations.

*prior to SPMA

21(a) Salmon Protection. Purchaser's operations shall not be permitted to interfere with the passage of salmon to their spawning grounds or to injure the spawning grounds in any way. Any logging debris accidentally or necessarily thrown into any stream used by salmon shall be removed therefrom as soon as practicable and in any event before the logging equipment is moved from that portion of the sale area.

SPMA Changes (All New wording)

21(a). Streamcourse Protection

Purchaser's operations shall not be permitted to interfere with the passage of salmonids to their spawning grounds or to injure the spawning grounds or rearing tributaries. These streamcourses, as shown on the Logging/Construction Approval Notice Map, are subject to the following provisions for protection unless otherwise agreed by the Forest Service.

(1) Purchaser's Operations shall be conducted to prevent debris from entering Streamcourses, except as may be authorized under paragraph (4). Prior to operations on any units the Logging/Construction Approval Notice will contain a plan including time schedule for falling included timber in a strip within 300 feet of Streamcourses. At the time agreed in the time schedule, all trees which cannot be felled to avoid falling in Streamcourses shall be left standing until yarding is in progress on the landing to which the trees will be yarded. Such trees shall be yarded from Streamcourses immediately after it is felled. Felled or windfallen trees shall not be backed or limbed until clear of Streamcourses. Debris in Streamcourses resulting from falling or yarding included timber shall be removed immediately to a location above high water mark. In event Purchaser causes debris to enter Streamcourses in amounts which may adversely affect the natural flow of the stream, water quality or fishery resources, Purchaser shall remove such debris as soon as practicable, but not to exceed 48 hours and in an agreed manner that will cause the least disturbance to Streamcourses. Removal may be delayed for circumstances beyond Purchaser's control.

(2) Culverts or bridges shall be required on Temporary Roads at all points where it is necessary to cross Streamcourses. Such facilities shall be of sufficient size and design and installed in a manner to provide unobstructed flow of water and to minimize damage to Streamcourses. Trees or products landed or yarded across Streamcourses shall be fully suspended, unless acceptable alternatives are developed in the Logging/Construction Approval Notice.

(3) Wheeled or track-laying equipment shall not be operated in streamcourses except at crossings designated by Forest Service or be essential to construction or removal of culverts and bridges.

(4) Flow in streamcourses may be temporarily diverted only if such diversion is necessary for Purchaser's planned construction and Forest Service gives written authorization. Diversion courses for any stream to be temporarily diverted shall be located and staked on the ground by Forest Service prior to construction. Such flow shall be restored to the natural course as soon as practicable and in any event prior to a major storm runoff period or runoff season.

Section 21(c): Required protection of cultural resources.

Prior to RFPA

one.

RFPA Changes (All See Wording)

21(c) Protection of Cultural Resources

Those items which are the subject of protection in the American Antiquities Act of 1906 (16 USC 431-433), National Historic Preservation Act of 1966 (16 USC 470) and Executive Order 11293 (1971) are shown on Operating Area Map and identified on the ground. This contract may be modified by agreement between the parties to protect such items and similar items discovered by the parties during the course of the Purchaser's operations. Discovery of such areas or objects by either party shall be promptly reported to the other party.

In the event of a contract modification under this section, purchaser shall be entitled to be reimbursed for the costs expended in the additional protection work required of it by the modification, and that any such extra work or protection required may not be undertaken by purchaser without the prior approval of the Forest Service, and even further that the amount of reimbursement will be as determined by the Forest Service. If purchaser disagrees with the Forest Service's determination of the amount of reimbursement to which purchaser is entitled, purchaser shall be entitled to further pursue its claim for payment under Section 23 of this contract.

Unless otherwise agreed in writing, reimbursement to purchaser will be in the form of a reduction in stumpage to the extent only that such stumpage exceeds the Minimum Stumpage Rates. If the amount of reimbursement to which the purchaser is entitled exceeds available stumpage, and if the purchaser and the Forest Service are unable to agree upon the means by which purchaser will be reimbursed for this excess, purchaser shall be entitled to further pursue its claim for payment under Section 23 of this contract.

Purchaser shall protect the above-identified items against destruction, obliteration, removal or damage during purchaser's operations. If such damage is negligently or willfully caused by purchaser's operations, purchaser shall bear costs of restoration, provided that such payment shall not relieve purchaser from civil or criminal remedies otherwise provided by law.

Wheel or track-laying equipment shall not be operated within such area except on roads, landings, tractor roads, or skid trails approved by Forest Service. Unless agreed otherwise, trees will not be felled into such areas. Purchaser may be required to backblade skidtrails and other ground disturbed by Purchaser's operation within such areas.

Section 26: Clarifies duties of Forest Officer with regard to suspension of operations.

Prior to NFMA

The Regional Forester, or his delegated representative, shall notify the purchaser in writing of any violation of the terms of this agreement on any logging unit or units within the sale area and allow a reasonable and definite period of time to comply with such terms. If satisfactory compliance is not made within the time allowed, the Regional Forester may suspend, by notice in writing or other means of transmitting written messages, all operations, including the removal of scaled or measured timber, on such unit or units. Such suspension is effective until the purchaser complies with such terms in a manner satisfactory to the Regional Forester.

NFMA Changes (All New Wording)

(b). Forest Officer in Charge is authorized to suspend by oral notice, on such of Purchaser's operation that is a material breach, which constitutes an immediate threat to human life or a threat of immediate and irreparable damage to National Forest resources. Such oral suspension may be given to Purchaser's work supervisor, or in his absence, to those performing the operation. An oral suspension shall be promptly followed by telephone or radio telephone notice and a written explanation from Forest Officer in Charge to Purchaser. The Forest Supervisor will promptly review the decision of the Forest Officer in Charge.

EXHIBIT E

COUNCIL ANNETTE ISLANDS RESERVE

HARRIS L. ATKINSON, CHAIRMAN
ROSEBELLE G. NELSON, SECRETARY
BONNIE G. SCUDERO, TREASURER

ESTABLISHED 1887

METLAKATLA INDIAN COMMUNITY
P.O. Box 8
METLAKATLA, ALASKA 99926

SEP 14 1988

August 22, 1988

The Honorable Dale Bumpers, Chairman
Subcommittee on Public Lands, National Parks & Forests
United States Senate
Hart Office Building, Room 308
Washington, D.C. 20510

Re: Position of the Metlakatla Indian Community on H.R. 1516

Dear Senator Bumpers:

The Metlakatla Indian Community is a federally recognized tribe organized under the Act of June 18, 1934, 25 U.S.C. Section 476. The Tribe's reservation is located on the Annette Islands in Southeast Alaska. Virtually all the lands surrounding our islands are part of the Tongass National Forest.

We understand that the House of Representatives has included language in the Tongass Timber Reform Act (H.R. 1516) that will threaten drastic reductions in employment opportunities in the timber industry of Southeast Alaska. The bill directs unilateral action by the U.S. Forest Service on Ketchikan Pulp Company's long-term timber cutting contracts under threat of contract termination. The pulp mill and sawmill operations constructed by Ketchikan Pulp Company in accordance with the terms of its long-term agreement brought year-round employment to our part of Alaska. The actions required of the Forest Service will jeopardize this economic foundation.

We are especially concerned about the devastating impact the legislation might have on our Community. Our Tribe's permanent unemployment rate remains at around 35 percent. The number of unemployed people is far greater in the winter time when fishing season ends. The only year-round employment, other than jobs offered by government, is provided by operation of our Community-owned sawmill which is leased to Ketchikan Pulp Company. Our mill's 100 million board feet per annum production is supplied by timber harvested under the terms of Ketchikan Pulp Company's long-term timber sale. The mill employs 110 residents of our Community and by far is our largest single employer. The annual lease payments for the sawmill represent approximately 10% of annual Community revenues. See Metlakatla Indian Community Overall Economic Development Program, 1988. And total investment

in the Metlakatla mill and equipment has been valued at \$10,000,000.

Chronic unemployment brings with it the social and health problems traditionally associated with poverty. Our situation will be even more difficult should the scope of the mill operations be reduced or totally lost. Unfortunately, termination of the Ketchikan Pulp Company long-term cutting contract, in all likelihood, will ultimately result in a permanent shutdown of the Metlakatla Mill. In testimony before your subcommittee, Martin R. Pihl, president and general manager of the Ketchikan Pulp Company declared that "to remain viable, independent sawmill and logging operations throughout Southeast Alaska must have assured outlets for both residual chips and pulp-grade materials on a continuing basis."

We acknowledge that your subcommittee must consider a number of competing interests in arriving at your final decision on the legislation. We trust, however, that you will not ignore our concerns in efforts to accommodate others who will be less drastically impacted.

We believe everyone will agree that Congress has a moral obligation to consider the well-being of Indian tribes in legislative and policy development. Congress' responsibility, however, goes beyond moral duty. Furthermore, it goes beyond the consideration that already may have been given to the general public's economic concerns.

The United States has a long-standing "trust responsibility" to protect the welfare of Indians. See Cherokee Nation v. Georgia, 30 U.S. 1 (1831). Indian trust principles are especially relevant to the considerations now before your subcommittee. President Reagan has expressed a federal policy mandating Indian economic self-sufficiency. See Report of the President's Commission on Reservation Economics, 1984. Congress has supported efforts to make tribes self-reliant. We will be victims of contradicting policies if Congress, in deference to other interests, imposes a policy on us requiring self-sufficiency while, at the same time, reducing the jobs available to our members.

The Supreme Court held that the goal of Indian economic self-sufficiency outweighs other, competing interests. See California v. Cabazon Band of Mission Indians, ___ U.S. ___, 94 L.Ed. 2d 344 (1987). In considering whether a tribe's economic interest in maintaining a high stakes bingo game on its reservation outweighed the State's interest in regulating gambling, the Court stated as follows:

The inquiry is to proceed in light of the Congressional goal of Indian self-government, including its "overriding goal" of encouraging tribal self-sufficiency and economic development.

• • •

These are important federal interests. They were reaffirmed by the President's 1983 Statement of Indian Policy. 1/ (36 U.S.C. 2d at 260)

The Court stated further that "self determination and economic development are not within reach if the tribes cannot raise revenues and provide employment for their members. The tribes' interests obviously parallel the federal interests." Id.

We are attempting to comply with the mandates of the federal policy outlined above. If you take action that ultimately reduces jobs available to our people, you will seriously harm our chances of success. You will jeopardize what the Supreme Court has called the "overriding goal" of federal Indian policy -- namely, Indian self-sufficiency. We have enclosed a copy of our Community's 1988 Overall Economic Development Program which describes both our natural resource-based economy and our plans toward economic self-sufficiency.

In summary, the Metlakatle Indian Community has a very real and significant interest in the legislation pending before your subcommittee. Under any circumstances, we would be concerned about the potential loss of jobs for members and income to local governments. Under the federal government's specific policy mandating economic self-sufficiency, we are forced to be even more concerned about the policies that affect our economic status.

We believe the trust responsibility imposes on you a duty to consider our welfare. The President and the Supreme Court have underscored the importance of our concerns. We do not believe the action contemplated by the House bill will allow Congress to meet its obligations in this regard.

Sincerely,

METLAKATLE INDIAN COMMUNITY


Harris L. Atkinson, Mayor

1/ The President stated as follows:

It is important to the concept of self-government that tribes reduce their dependence on federal funds by providing a greater percentage of the cost of their self-government. 19 Weekly Comp. Pres. Doc. (Jan. 24 1983).

cc: Senator J. Bennett Johnston, Chairman
Committee on Energy & Natural Resources

Senator Jeff Bingaman
Senator John Melcher
Senator Bill Bradley
Senator Tim Wirth
Senator Wyche Fowler
Senator Kent Conrad
Senator Malcolm Wallop
Senator Lowell Weicker
Senator Mark O. Hatfield
Senator Pete Domenici
Senator Frank Murkowski
Senator Chic Hecht
Senator Ted Stevens
Representative Don Young



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KETCHIKAN PULP COMPANY

Explanation and reasons for differences in 1) stumpage rates between "long term VS short term timber sales and 2) base rates on L.T. sales VS minimum rates on S.T. sales.

1. S.T. sales are composed of better quality and higher value species.
2. S.T. sales are generally pre-loaded
 - a) Often occurring where a portion of the roads for access have been constructed by a L.T. sale operator.
 - b) Often pre-loaded by the USFS - 79% of the TTSF expenditures for roads by USFS between 1980-87 were spent on S.T. sales.
3. S.T. sale operators process the high value components of the forest harvest - sawmills.
4. S.T. sale operators do not have the enormous capital investment/commitment of LTS operators - ie; pulp mill.
5. S.T. sale operators can bid or not bid on individual sales. L.T. sale operators do not have this option.
6. S.T. sales have no minimum annual harvest volume requirement.
7. S.T. sale operators have no 75% rule to meet as required in L.T. contracts.
8. Differences in utilization standards between L.T. and S.T. sales.

Differences Continued..
Page Two

9. S.T. sales are entirely laid out prior to bid. Operators know more exactly what they are bidding on.
10. Short term sales operators process the high value logs and species and as well have an assured outlet for the lower valued pulp logs. Particularly during periods of down market; ie, deficit sales, the pulp mills subsidize small operator by paying a higher price for purchased pulp logs; ie, in range of say \$100/M when the true economic return to the pulp log is much lower ie, \$40-\$70 range.
11. S.T. sale operators can export chips.

3/3/89

KETCHIKAN PULP COMPANY
VOLUME PER ACRE
HARVEST 1978 - 1988

(Net Scribner)

<u>Year</u>	<u>MBF Per</u> <u>Acre</u>
1978	37.58
1979	33.63
1980	35.35
1981	31.91
1982	36.81
1983	35.60
1984	33.02
1985	36.64
1986	32.08
1987	28.29
1988	27.61

STATEMENT FOR THE RECORD
OF

KENT S. ROBINSON
POLICY AND PROGRAMS ANALYST
PUBLIC TIMBER PROGRAMS

ON BEHALF OF
THE

NATIONAL FOREST PRODUCTS ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON FORESTS, FAMILY FARMS AND ENERGY
COMMITTEE ON AGRICULTURE

OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 15, 1989

Good morning. My name is Kent Robinson, I am Policy and Programs Analyst with the National Forest Products Association (NFPA) here in Washington D.C. I would like to thank the Subcommittee for holding hearings on management of the Tongass National Forest, and for allowing me to testify today.

The National Forest Products Association (NFPA) represents over 750 manufacturers of forest products, timberland owners, regional and local forest products trade associations, and allied members. Several of our member companies purchase timber from the Tongass National Forest in Alaska and are either partially or totally dependent on timber harvested from the Tongass for their raw material supply. Any change in management of the Tongass directly affects these companies and their employees.

I wish to begin by noting that while NFPA cannot support H.R. 1368 there are several provisions in this bill which thoughtfully address management of the Tongass. First, we feel that market demands, the long-term sustained yield capacity of the Tongass, and the annual appropriations process should guide the preparation of timber sales on the Tongass. H.R. 1368 agrees with this approach.

We are not happy with proposed repeal of the permanent appropriation to the Tongass timber supply fund. We reluctantly however, support this provision of H.R. 1368 as we do similar provisions in Senator Murkowski's bill, S. 237. This provision alone fairly and completely responds to the most widely held and constant criticism to management of the Tongass forest over the past decade. We hope that the annual appropriations process would provide sufficient funding for intensive forest management programs on the Tongass to maintain an annual allowable sales quantity of 450 MMBF.

Unfortunately, H.R. 1368 rests on several incorrect assumptions which has resulted in a proposal which contains several unnecessary provisions. The proposal alleges that the two 50 year contracts neither comply with the NFMA forest planning process, nor allow fair competition in the southeast Alaska timber markets. Testimony before this committee last year draws many of these allegations into question. Other industry witnesses will address each of these deficiencies in detail.

I would like to spend the balance of my time addressing Rep. Mrazek's proposal, H.R. 987, and Senator Wirth's companion bill S. 346. Both contain unnecessary and dangerous proposals. These two proposals: (1) make a mockery of the NFMA forest planning process developed by this committee; (2) expose the federal government to substantial contract liability; and (3) would

instantly disrupt the economic balance of the Southeast Alaskan economy.

- I. Both bills would supercede the public comments and concerns gathered by the Forest Service during the current TLMP revision by reserving 1.8 million acres of the Tongass forest.

The NFMA forest planning process developed in part by this Committee thoughtfully provides extensive opportunities for the public to influence and guide the forest planning process. The TLMP revision currently underway provides an example of this process. The Forest Service, after extensive public contacts, will prepare alternatives which manage the Tongass both with and without the long-term contracts and ANILCA. All issues and all alternatives will be fully explored and laid open for public review. Congress can then review the quality and completeness of the review process and render it's own conclusions. The Service expects to release a Draft Plan in December 1989, a mere nine months from now. Following release of the draft, the public will have an additional opportunity to comment on management of the Tongass. We urge the Committee to let the planning process continue without interference.

Both H.R. 987 and S. 346 would reserve 1.8 million acres of the Tongass before completion of the draft plan. Such Congressional withdrawals, timed to take effect in the middle of the first revision of an NFMA forest plan marks a dangerous

threat to the integrity of the forest planning process. While S. 346 proposes to merely reserve the 1.8 million acres until completion of the planning process to ensure options remain open, the very recognition of these areas as potential wilderness will bias future management of these areas. Acceptance of H.R. 987 and S. 346 would set aside permanent wilderness and not preserve management options on the Tongass.

II. Both H.R. 987 and S. 346 would break the two long-term 50 year contracts thus opening the federal government to damages.

Both H.R. 987 and S. 346 propose to break the two 50 year long-term contracts within 90 days of passage and acceptance. Legislative cancellation would effect a total breach of these contracts and represent a taking of private property for which the Fifth Amendment imposes the requirement upon the government to pay just compensation.

Further, in testimony before this committee in May of last year the Mayor of Sitka, Alaska noted that the City of Sitka has installed a costly infrastructure in order to accommodate the APC pulp mill. The mayor remarked that the city must continue to service the debt on these investments and any action by the Federal Government to close the APC mill would result in claims against the government.

Past experience further indicates the true cost of a legislative taking will run into the hundreds of millions of dollars. The Redwood National Park was created through two legislative takings in 1968 and 1978. The original cost estimate for this park was \$92 million. To date the land acquisition costs under the first taking have exceeded \$200 million. Costs of the second taking are \$359 million. Further, the Federal District Courts have affirmed settlements in excess of \$1.2 billion, with many claims unresolved. Abrogation of the two 50 year Tongass contracts will carry a high price.

III. H.R. 987 and S. 346 would both introduce great uncertainty into the southeast Alaskan economy. Further, repeal of the two long-term contracts will not insure a flow of timber from the Tongass.

Pulp mill related employment at the two Alaska pulp mills varies with market conditions. In 1988, employment at the APC pulp mill, the Wrangell Sawmill, the KPC mill and the logging operations which support these mills totaled 2100 jobs. Further, an additional 1900 support sector jobs were generated providing goods and services demanded by mill employees. Pulp industry related employment in 1988 generated a little over \$40 million in federal revenues in federal income taxes, social security, and federal unemployment taxes.

H.R. 987 and S. 346 both call for cancellation of the two 50 year contracts within 90 days of enactment of the bill. No

analysis of the immediate disruption these proposals will cause on the southeast Alaskan economy has ever been presented. Both loggers and mill workers would find their jobs in jeopardy. Additionally, customer confidence in the Alaskan forest products industry will be strongly shaken. Further, the immediate effects of cancellation on federal and state income tax revenues have never been addressed. The proposed changes may have a devastating effect in isolated areas where timber harvesting is the primary industry.

Finally, cancellation of the two 50 year contracts will not insure a flow of timber from the Tongass National Forest to mills remaining in operation after cancellation of the two long-term contracts. NFPA's experience in other parts of the country indicates that activists will continue to disrupt the flow of Tongass timber by appealing timber sales on a case by case basis.

In closing, NFPA can support the provision of H.R. 1368 which allow market demand, annual appropriations and the long-term productive capacity of the Tongass to drive the timber sales levels. We reluctantly support repeal of the Tongass Timber Supply Fund.

Both H.R. 987, and S. 346 would: (1) set an extremely dangerous precedent of Congressional interference in the national forest planning process; (2) open the federal government to

substantial liability claims; and (3) introduce immediate uncertainty and disruption into the southeast Alaskan economy.

This concludes my prepared statement, I would be happy to respond to any questions the Committee might have.

GEORGE A. CRAIG

Registered Professional Forester
 California License No. 448
 972 Grosvenor Place
 Oakland, CA 94610
 Phone: (415) 893-9657

Statement Re. Long-Term Timber Contracts to House
 Committee on Agriculture, Nutrition, and Forestry
 Washington, D.C. March 15, 1989

I am George A. Craig, a registered professional forester, a member of the Association of Consulting Foresters and a Fellow in the Society of American Foresters. I am appearing here today on behalf of Alaska Pulp Corporation (APC).

To any objective observer of the House hearings in December 1987 and May 1988, it must have been evident that the purpose of the critics of the long-term contracts, such as the Wilderness Society, has been the achievement of another land grab on the Tongass National Forest.

A Decision Is Needed

Only 1.7 million acres (about 10 percent of the Tongass) is now planned for timber production and harvesting over the next 10 to 120 years. About one-tenth of one percent of the Tongass is to be harvested annually.

After a detailed study of the Tongass in 1987, Professor Jay Cravens, the current President of the Society of American Foresters, wrote that 5.7 million acres of it are suitable for the production of commercial timber crops. (See Exhibit A.) Of this, about 1.7 million acres are in Wilderness and another 2.3 million acres are excluded "because of other resource values, such as visual values and wildlife concerns." He was rejecting claims that the Forest Service is ruining the Tongass rain forest. He concluded:

"In my judgement, this issue is raised to satisfy the insatiable appetite of the preservationists."

May I respectfully suggest that this committee must come to grips with the issue and decide whether or not the remaining available commercial

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timber areas are to be used to maintain the economy of Southeast Alaska or are to be added to the billions of dollars worth of natural resources now committed to noncommercial use on that national forest. Are we in effect going to convert the Tongass National Forest into the Tongass National Park?

If the decision is to eliminate the timber industry, let's have it done in an honorable and businesslike manner, instead of indulging in an acrimonious and defamatory debate aimed at destruction rather than equitable treatment. If the decision is to continue the industry, the need for a reliable program of timber supply must be recognized and implemented.

Costs to be Considered

Such a decision must take into account the effect on government revenue, the consequences for the people of Southeast Alaska, the cost of the government's termination of the long-term contracts, and the significance of the long-term contracts to continued investments.

The attached Exhibit B is a just-released economic analysis of the federal treasury impacts of the Southeast Alaska pulp mill-related labor force. It concludes:

"In total, employment and payroll generated by Southeast Alaska's two pulp mills added over \$40 million to the federal treasury in 1988."

APC's 300 full-time hourly employees had an average income of \$41,650 last year. Obviously, with the termination of the contract, it would not be minimum wage jobs that would be lost.

The firm's retirement program is the best in the nation for pulp mill employees with \$37 per month benefit for each year of service. In addition, in the fall of 1988, a 401K retirement program was added. The health care program costs \$400 per month per employee, including eye,

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dental, long-term disability, mental care and other features not found in all industrial health care programs. APC pays for \$50,000 life insurance.

The damage recovery resulting from a statutory termination of the only two long-term timber sale contracts on the Tongass National Forest has been estimated to range between \$700 million and \$1.1 billion, rather than the \$150 million estimated by the Congressional Research Service (CRS).

The government recognized that the assured timber supply provided by the long-term contracts was essential to attracting the hundreds of millions of dollars that were eventually invested in establishing the year around industry in Southeast Alaska. This promise was offset by the requirement to construct and continuously operate the costly facilities needed to process the timber in Alaska.

APC's Executive Vice President Franklin C. Roppel, told the Committee on Interior and Insular Affairs on December 10, 1987: "Out-of-pocket capital costs exceed \$200 million. In today's dollars you would expend more than \$600 million to duplicate the productive capacity of our facilities." Such funding could be obtained only with an assured supply of timber.

No Cheap Timber Under Long-Term Contracts

In testimony to this committee on May 25, 1988, I described events leading to the award of the long-term contracts in Alaska, the subsequent statutory endorsement of such contracts, the interdependence of sawmills and pulp mills, changes in the economics of the industry and relative timber values under long-term and short-term contracts.

At that time, I submitted to the committee by March 13, 1988 review of the CRS's comparison of stumpage rates paid under the two types of contracts. I noted that delivered log cost is a better indicator of the cost of timber to timber purchasers, because it reflects harvesting require-

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ments including the cost of specified roads. On that basis, timber sold in 1985 through March 1987 in short-term sales cost their purchasers about \$22.60 per thousand board feet less than APC's long-term contract timber cost it, based on Forest Service data.

However, there have been concerns expressed in the Congress regarding the rate setting provisions of the APC long-term contract and the manner in which timber is selected for harvest thereunder. The remainder of my statement will be given to a description of the current negotiations between APC and the Forest Service to modify the long-term contract to address these concerns.

A Change in Timber Selection

Since last April, the Forest Service and APC have been working on a revision of the long-term contract. Many hours of discussion in Alaska and Washington have lead to several contract drafts and two two-day negotiating sessions, involving George Woodbury, (APC's vice president for timber operations) and David Wessel (Director of Timber Management from the Washington office of the Forest Service). Local Forest Service people, attorneys for each side, and I have been involved. The issues are most complex, but much has been accomplished, and final agreement is near.

Attention was given first to the question of timber selection. Mr. Woodbury told this committee last May that timber selection under the long-term contract differed from short-term contracts, because it had not been possible to designate all the timber to be harvested in advance of contract award due to the magnitude of the sale.

With some guiding specifications, the contract requires the company every five years to propose portions of the sale area for harvest. These proposals are reviewed by the Forest Service and modified for various

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reasons, including the planned reservation of areas for other uses. The planned harvest is reviewed under the National Environmental Policy Act (NEPA) process. The contract permits the company to request a review by a board in the event there is a dispute about the timber to be designated. The board's recommendations are to be considered by the Secretary of Agriculture.

This procedure could be greatly changed if there is final agreement on all changes to be made in the APC long-term contract. The Forest Service, in consultation with APC, may annually determine the volume to be specified for harvest by operating areas to meet APC's needs under the contract and establish the related NEPA process schedule. After completion of the NEPA process, the Forest Service may specify any additional operating areas, timber harvest units, roads and other facilities and operations necessary to maintain a current timber supply based on a reasonable schedule to complete the harvest and removal of all of the timber prior to the termination date of the contract.

The existing contract recognizes the need for the operations to be "commercially sound" with selected timber that "can be operated economically." This is one of the questions that the board of review might be asked to address.

The revised contract could drop the board of review and provide that the Forest Service establish that the timber passes a reasonable economic test before it is specified for harvest.

Opportunity to Increase Rates

There has also been concern expressed because the long-term contract set rates every five years and had no provision to increase rates in sharply rising markets. The existing contract also provides for a review

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The revised contract could greatly change the price setting procedure and eliminate the review board. Timber rates would be established by operating areas rather than for the contract as a whole. Each year, as additional timber is designated for harvest, the Forest Service could appraise and set rates for it.

The Forest Service might be authorized to increase the rates for designated but uncut timber in an operating area, if current appraisal data show the value of such timber has increased by a specified amount since the rates were last set for it.

There are a number of other changes in the contract under review, and consideration is being given to the settlement of all claims now before the courts. Although, the parties appear close to agreement, the nature of the entire package will not be clear until it has been adopted as a whole.

Timber Supply Is Critical

A major concern is the availability of timber promised by the government under the long-term contract. The continual attempts of preservationists to frustrate operations under the contract, including court actions to prevent the harvest of designated timber, have placed both the Forest Service and APC in a tight situation at a time when the market is particularly good and timber is needed badly.

Again, we respectfully ask that you do what you can to assure reasonable operations under the long-term contracts. The companies have met their obligations to invest heavily in facilities providing year around employment and an economic base for Southeast Alaska. The Government must meet its obligation to provide the promised timber.

(Attachments follow:)

Southeastern Log August 1987

Multiple use

EDITOR, Southeastern Log
and Editor of New York Times Co.:

Your June 23 editorial about the Tongass National Forest almost provoked profanity from this fair-minded person. The Tongass National Forest is not the economic and ecological scandal you refer to in your editorial. I have just come from Southeast Alaska where I made an intensive review of the situation. I met with State and Federal people, representatives of the tourist, fishing and timber industries, visitors off cruise ships, sports fishermen, loggers, merchants, mayors, newsmen, and a State senator. I discovered nothing but praise for the Forest Service and their sensitivity to the land they care for and the public they serve.

I studied the Tongass Land Management Plan and then looked at the results. I covered millions of acres by float plane, by boat, by car, and by foot. I saw nothing but well done, professional work being accomplished by the highly trained foresters, wildlife and fish biologists, landscape architects, engineers, and other interdisciplinary support groups. I witnessed changes in timber cutting practices to reflect exciting new research results for enhancing the important Sitka black tail deer range. I saw stream improvements and fish passage structures. Fisheries experts are now recommending the introduction of large woody debris into selected salmon spawning streams to improve the spawning and survival rates. A decade or so ago, foresters were being criticised and told to remove large woody debris. Now, they are being shown how to put it back!

Meanwhile, the Alaska Department of Fish and Game reports that, since the implementation of the Tongass Land Management Plan in 1979, commercial salmon catches in Southeast Alaska have increased from 14.6 million fish to 60 million. Deer harvesting during this same period has increased from 5,600 to

15,177. The deer bag limit has been increased from four to six deer, and the hunting season will extend an additional 30 day period for subsistence in the 1987 season. Is this all the result of ruining a rain forest? The foresters must be doing something right. Right?

The Tongass National Forest contains approximately 17 million acres. Of this total, 5.7 million acres are suitable for the production of commercial timber crops. About 1.7 million acres were included in the 5.5 million acres set aside and classified as "Wilderness." Because of other resource values, such as visual qualities and wildlife concerns, another 2.3 million acres of commercial forest land has been excluded. Thus, the plan shows that harvesting levels are scheduled on only about 10 percent of the Tongass National Forest (1.7 million acres) in the next 100 to 120 years.

I examined the results of the timber employment and income effects in one unit of the Tongass for the last fiscal year. Indeed, there is a loss between appropriations for timber harvest activities and the returns from the sale of the timber. The loss amounted to about \$2.75 million, including a payment of over \$300,000 to the State. What was achieved? Direct benefits amounted to some 430 timber industry related jobs which contributed almost \$19 million to the local communities and almost \$3 million in federal income taxes. This appears to be one of our more productive subsidies.

While achieving multiple benefits, the wildlife, fish, archaeological, aesthetic, soil, and water values are being protected and, as noted, enhanced. Logging practices are carefully designed and administered

by professional foresters with input from the many interdisciplinary specialists. I did not see a single timber sale area in my coverage of millions of acres in the Tongass National Forest that had not been successfully regenerated with a wide diversity of trees and associated plants.

So with just a small portion of the Tongass being scheduled for harvest, what's the fuss all about? Why write such an emotional article about ruining a rain forest? This debate is important since the Tongass has become a national issue. In my judgment, this issue is raised to satisfy the insatiable appetite of the preservationists. This special interest group has been intensively drawing lines on National Forest System maps for over two decades. They want to draw more lines on the Tongass to satisfy their struggle over access to leisure for a relatively few users in a quality environment. Please, do not misunderstand me! I too favor Wilderness, even if it is the most restrictive of all forest land uses. Fortunately, our nation has the resources and Congress has the foresight to set aside Wilderness. The question I raise is, "How much is enough?" Further debate is needed on this issue, and indeed on the management of the Tongass National Forest. I remind my students and others that "The greatest enemy of the forest is neglect." Let us not overlook the multiple public benefits that can be derived from professionally managed forest land.

Jay H. Cravens
Professor of Forestry
University of Wisconsin-Stevens
Point
Milwaukee, WI

**THE FEDERAL TREASURY IMPACTS
OF THE SOUTHEAST ALASKA
PULP MILL-RELATED
LABOR FORCE**

Prepared for:

**Alaska Pulp Corporation
Sitka, Alaska**

Prepared by:

**The McDowell Group
a division of
Data Decisions Group
Juneau • Seattle**

March 1989

Exhibit B

The Federal Treasury Impacts of the Southeast Alaska Pulp Mill-Related Labor Force

Introduction

Alaska Pulp Corporation of Sitka, Alaska contracted with the McDowell Group, Alaskan management and economic consultants since 1972, to estimate the federal treasury impacts of the Southeast Alaska pulp mill-related labor force. Included among these impacts are federal income taxes paid, social security contributions (by both employer and employee), and where available federal unemployment taxes.

Counted among the pulp mill-related labor force were direct pulp mill workers in Sitka and Ketchikan, loggers directly employed by the two mills, and subcontract loggers involved in the harvest of APC or KPC timber. Also included were sawmill and logging employees of Wrangell Forest Products, whose Wrangell facility is owned by Alaska Pulp Corporation. Direct pulp mill, sawmill and logging employment in Sitka, Ketchikan, Wrangell and outlying areas totaled 1540 jobs in 1988. Subcontract logging employment added another 590 jobs.

Also counted among the pulp mill-related labor force were those jobs created in the support sector as a result of pulp mill spending and as a result of the demand for goods and services by mill employees. Support sector employment and payroll in Sitka, Ketchikan, Wrangell, and in Southeast Alaska overall was calculated using known standard employment multipliers and average annual support sector salaries where available, and estimates where no previous research had been performed. Employment multipliers ranged from 1.5 (for remote logging employment) to 2.36 (for pulp mill employment in Sitka and Ketchikan, where mill jobs account for the highest salaries among all basic industries, and therefore generate the greatest multiplier impact). In total, pulp mill-related operations in Southeast Alaska generated an estimated 1,900 support sector jobs in 1988, accounting for an estimated \$39 million in payroll.

Federal income tax withholding and social security tax payments (for both employer and employees) were provided by Alaska Pulp Corporation for both direct APC operations and Wrangell Forest products operations. Estimated federal withholding and social security tax payments were provided for Ketchikan Pulp Company operations. Federal income tax withholding averaged 17% of gross payroll and social security payments (employer and employee payments combined) averaged 14% of total gross payroll. These effective rates of taxation were applied to estimated subcontractor payroll and estimated support sector payroll to derive federal withholding and social security revenues from these pulp mill-related sectors.

Summary of Findings

The operations of Alaska Pulp Corporation, Wrangell Forest Products and Ketchikan Pulp Company directly generated \$28 million in federal income taxes, social security taxes and federal unemployment taxes in 1988. This total includes federal revenues generated as a result of subcontracted logging employment and pulp mill-related logging employment by Native corporations involved in timber harvest in Southeast Alaska.

The operations of Alaska Pulp Corporation, Wrangell Forest Products and Ketchikan Pulp Company also indirectly accounted for \$12 million in federal income taxes and social security taxes in 1988 through related support sector employment and payroll.

In total, employment and payroll generated by Southeast Alaska's two pulp mills added over \$40 million to the federal treasury in 1988.

Total Annual Federal Revenues from Southeast Alaska Pulp Industry-Related Contributions to the Federal Treasury (Total of Federal Withholding, FICA, FUT*)

	Direct	Indirect	Total
Alaska Pulp Corporation	\$5,813,000	\$3,892,000	\$9,705,000
Ketchikan Pulp Company	9,952,000	3,940,000	13,892,000
Wrangell Forest Products	3,968,000	1,020,000	4,988,000
Subcontracted Logging & Pulp Mill-Related Native Logging	\$8,342,000	\$3,583,000	\$11,925,000
Grand Total	\$28,075,000	\$12,438,000	\$40,513,000

*Federal withholding is federal income tax, FICA is social security, and FUT is the federal unemployment tax.

TESTIMONY OF WILLIAM A. THOMAS, JR.
ON BEHALF OF KLUKWAN, INC. AND KLUKWAN FOREST PRODUCTS, INC.
BEFORE THE AGRICULTURE COMMITTEE CONCERNING H.R. 987

Mr. Chairman, Members of the Subcommittee, My name is William A. Thomas, Jr. I was born and raised in Haines, Alaska, 80 miles north of Juneau, Alaska and now live in the Native Village of Klukwan. Like countless generations before me I don't wish to raise my children outside of Alaska. I am proud to be Alaskan.

Klukwan, Inc. is a Southeast Alaska Native Village Corporation created as a result of the Alaska Native Claims Settlement Act (ANCSA). I am Director on the Klukwan, Inc. Board, and Chairman, of Klukwan Forest Products, Inc. (KFP) Board, our largest operating subsidiary and the largest logging concern in Alaska. As a Commercial Fisherman, I am equally interested in the Fishing Industry and serve as a Director on the Board of the United Southeast Gillnetters Association.

In Southeast Alaska, everyone depends upon the services that are provided as part of a well balanced community. It is very important that the Logging and Fishing Industries along with the growth of tourism continue to be viable in Southeast Alaska. As a Fisherman, ex-Logger and a person involved in the Logging Industry, I feel that the Industries can co-exist.

ANCSA recognized the claims of the Alaska Native people to the land. Under the Act, the Village of Klukwan was given the option of

retaining the Village reserve land and subsurface rights or receiving land and giving subsurface rights to the Regional Corporation. The Shareholders of Klukwan, Inc. decided to retain reserve status rather than share in the land entitlements with the other Corporations. As a result, many Shareholders felt that they would be left out of any potential benefit from the Claims Act since many were no longer residents of the Village of Klukwan and did not qualify as IRA members (Indian Reorganization Act) of the Village.

This prompted a group of Shareholders to get together to see what they could do to get the non-resident and non-participants back into the Claims Act. Through years of effort this group of individuals were successful in obtaining recognition of their Rights. This was realized on January 2, 1976, with the passage of Public Law 94-204 and Public Law 95-456 allowing selection rights in the Tongass National Forest. Our interpretation of ANCSA was to provide the Native people of Alaska a tool (Corporations) in which to help provide jobs and pride in being able to provide for themselves. As a result we had only one person on the welfare rolls 2 years ago. And, we hope that Congress will not obstruct the goals set by the Corporations unless the Congress wishes failure.

Beginning in 1981, Klukwan, Inc. began commercial harvesting operations on the land it selected under the Claims Act. Through long term planning KFP has become a key player in the Timber Industry in Southeast Alaska. Any changes in our operations as this late date

will only have a negative impact upon the Village Corporation of Klukwan and on its Shareholders who depend on the profitability of their Corporation. Recently, we have begun preparing to move from harvesting on Native Lands to harvesting on Public Lands by acquiring our first Federal Timber sale of 10 Million Board Feet. Our economic future depends on the continued availability of Tongass Timber. Without this continuing opportunity we may become one of the ANCSA Corporations doomed to failure.

The first development of Klukwan's ANCSA lands were on Long Island, located about 55 miles west of Ketchikan, saw a harvest in 1981 of 18 Million Board Feet. By contrast, KFP harvested 150 Million Board Feet of ANCSA timber last year, (a volume equivalent to one-third of the 450 Million Board Feet annual allowable cut on the Tongass National Forest). We also built roughly 80 miles of access road last year. Since 1981, we have not only harvested our own timber but have also contracted with Sealaska Corporation, Kootznocowoo, Inc., and Goldbelt, Inc., and have purchased stumpage from Cape Fox Corporation and Ninilchik; all ANCSA Corporations. We're also harvesting State timber in Nenana as a joint venture project.

Since 1981, Klukwan, Inc. has become one of the largest and most successful Alaska-based Corporations in the State, ranking fourth in 1987 on the basis of sales. In terms of sales by Native Corporations, we are the second largest with only Sealaska Corporation (a Regional Corporation) being larger. KFP is the largest timber contractor in

Alaska. There are over 200 Village Corporations, and 12 Regional Corporations.

Klukwan, Inc. and subsidiaries employs over 400 people with an annual payroll of over \$12 million. Nearly all these people are employed in the Forest Products Industry. We have over \$43 million invested in timber harvesting equipment, stumpage and other timber related businesses. We feel we have a responsibility to our employees to continue stable long term employment.

Most of our work to date has been on Native Lands, but as Native Corporations wind-down their harvesting operations we are looking to the Tongass as a source of work for our Company and its 400 employees. We are currently looking at opportunities to either buy into or construct manufacturing facilities which would require National Forest Timber.

We are concerned about the proposed changes in Section 705 of the Alaska National Interest lands Conservation Act (ANILCA). It is imperative that the 4.5 Billion Board Foot cut per decade not be diminished. Given that roughly 300 Million Board Feet per year is tied up in the long term sales, that leaves only 150 Million Board Feet for the rest of the Industries existing. Our harvesting capacity alone (150-200 million b.f./year) is greater than that, and existing Mills currently have requirements in excess of this amount also. Instead of talking about diminishing the cut below 450 Million

B.F./year, we should be figuring out ways to increase the cut above this level, while protecting other resources in the Tongass.

What most people do not realize, and what the anti-timber faction will not recognize is that there is a fundamental change taking place in the Industry in Southeast Alaska. As old growth White Woods, such as Hemlock and Spruce, found on the Tongass become increasingly scarce, demand is going to rise (and already has risen) significantly. The Japanese market pays a large premium for these clear, fine grained woods--and they are disappearing from the competitive areas of Oregon, Washington and British Columbia. The Industry is realizing that Southeast Alaska is the last bastion of this scarce material. Even the giant Weyerhaeuser Company, which for many years did not express any interest in Southeast Alaska has already participated in two (2) ventures and is reportedly looking at others.

Demand for timber on the Tongass will increase steadily over the next few years and the days of deficit sales and uncut sales will be a thing of the past. All of the so called "economic" arguments against timber harvesting no longer have validity and the "450" will not be adequate to supply the needs of the Industry.

The question of the long term sales is straight forward. Good, bad or indifferent, a deal is a deal. The contracts, as any first year law student knows, can't simply be repealed. If the Government wants the timber back, then it will have to negotiate with and pay the parties

involved, keeping in mind, the fate of all the employees working in timber and the timber related businesses invested in Southeast Alaska.

From our point of view, a viable Pulp Industry is required to handle the large percentage of the Timber Stands that are highly defective and cannot be manufactured into Saw Logs or Veneer (up to 50% of some stands). In other words, a fully integrated Industry is necessary to maximize utilization of the available timber.

A radical cancellation of the long term contracts will have a devastating affect throughout Southeast Alaska. Ma

ny communities depend directly or indirectly on a healthy Forest Products Industry. We know that an economic decline in Southeast Alaska can lead to dependency on Government and Welfare Programs, significantly increasing alcoholism, drug abuse, and increasing the rate of crime as the decline of oil prices have shown in Northern Alaska. On another scale, a decline in one of the three important Industries in Southeast Alaska means an overall economic decline for the whole region and will affect every single individual and community governments.

We see no reason to withdraw any additional areas from the Tongass unless areas can be justified for withdrawal. Then, only would we support the necessary acres needed to protect specific resources,

however, if more than ample Lands are to be withdrawn in favor of environmental groups, then we feel the Native people of Southeast Alaska should receive additional lands as well. What's fair is fair. The Tongass Land Management Plan (TLMP) process is the proper forum in which to review the status of these lands.

We do not and will not support any radical legislation that can result in the loss of jobs, and put a greater burden on the people who haven't got the necessary skills to achieve greater heights. The people who choose to work in the Timber Industry should be treated as achievers and encouraged to continue to work and not end-up on the welfare rolls, or be put into personal bankruptcy or put out on the streets, when a major portion of the Tongass is already in wilderness.



Southeast Alaska Conservation Council

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STATEMENT OF
K.J. METCALF

VICE-PRESIDENT OF THE
SOUTHEAST ALASKA CONSERVATION COUNCIL

ACCOMPANIED BY
STEVE KALLICK, STAFF ATTORNEY

REGARDING H.R. 1368 (TONGASS TIMBER MANAGEMENT ACT)

BEFORE THE
FORESTS, FAMILY FARMS, AND ENERGY SUBCOMMITTEE
HOUSE AGRICULTURE COMMITTEE
MARCH 15, 1989

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY. MY NAME IS KJ METCALF; I LIVE IN ANGOON, ALASKA, A SMALL RURAL VILLAGE OF 600 PEOPLE. I AM SPEAKING FOR THE SOUTHEAST ALASKA CONSERVATION COUNCIL (SEACC), A GRASSROOTS COALITION OF 13 ORGANIZATIONS IN 11 COMMUNITIES. SEACC IS MADE UP OF PEOPLE WHO LIVE AND WORK IN THE TONGASS NATIONAL FOREST. WITH ME TODAY IS STEVE KALLICK, SEACC'S STAFF ATTORNEY IN JUNEAU.

SEACC SUPPORTS SECTIONS 3 AND 4 OF H.R. 1368 AS INTRODUCED BY CHAIRMAN VOLKMER AND CONGRESSMAN MORRISON. WE BELIEVE SECTION 2 SHOULD BE AMENDED TO TERMINATE THE 50-YEAR CONTRACTS AND REPLACE THEM WITH SHORT-TERM TIMBER SALES. IN ADDITION, WE THINK THE BILL SHOULD BE AMENDED TO PROVIDE PERMANENT PROTECTION FOR 23 KEY FISH AND WILDLIFE AREAS.

I WANT TO EMPHASIZE MY BACKGROUND OF 20 YEARS IN PLANNING AND PUBLIC INFORMATION WITH THE FOREST SERVICE ON THE TONGASS. I WAS THE PLANNING TEAM LEADER FOR THE FIRST PHASE OF THE TONGASS LAND MANAGEMENT PLAN AND REMAINED ON

JUNEAU GROUP BEERRA CLUB • LYNN CANAL CONSERVATION, Haines • SITKA CONSERVATION SOCIETY
ALASKA SOCIETY OF AMERICAN FOREST DWELLERS, Peter Babin • FRIENDS OF BEERING BAY, Juneau • PELICAN FORESTRY COUNCIL,
NARBORS CONSERVATION COALITION, Petersburg • FRIENDS OF GLACIER BAY, Gustavus • TONGASS CONSERVATION SOCIETY, Kodiak
BALISE ISLAND-ROCK LAGOON COUNCIL, Twicken Springs • WRANGELL RESOURCE COUNCIL • TADU CONSERVATION SOCIETY, Juneau

THE PLANNING TEAM THROUGH COMPLETION OF THE PLAN. IN 1982 I OPTED FOR AN EARLY RETIREMENT FROM THE FOREST SERVICE. I DID THIS BECAUSE OF MY GROWING ALARM AT THE "TIMBER AT ANY COST" APPROACH OF MANAGING THE TONGASS. FROM 1978 TO 1982, I WAS MANAGER OF THE ADMIRALTY ISLAND NATIONAL MONUMENT. DURING MY FOREST SERVICE CAREER I RECEIVED A NUMBER OF AWARDS FOR MY WORK, AND I FEEL I WAS A VALUED EMPLOYEE TO THE SERVICE. TODAY I CONTINUE TO BE ACTIVELY INVOLVED IN TONGASS AND OTHER ALASKA LAND ISSUES AS A BOARD MEMBER OF SEACC, A COMMISSIONER APPOINTED BY THE GOVERNOR ON THE INTERIM MENTAL HEALTH LANDS COMMISSION, AND AS A MEMBER OF THE PUBLIC.

THE FOREST SERVICE, THE ALASKA DELEGATION, AND THE PULP MILLS HAVE ASKED YOU TO TRUST THE PLANNING PROCESS TO SOLVE THE PROFOUND PROBLEMS THAT TROUBLE THE TONGASS. FOREST SERVICE TESTIMONY GIVES THE IMPRESSION THAT ANY POLITICAL DECISIONS SHOULD WAIT UNTIL REVISION OF THE TONGASS PLAN. POLITICAL DECISIONS HAVE ALWAYS STEERED TONGASS MANAGEMENT. IN 1947, CONGRESS PASSED THE TONGASS TIMBER ACT WHICH CLEARED THE WAY FOR THE 50-YEAR CONTRACTS. DURING PREPARATION OF THE TONGASS PLAN IN THE LATE 1970S, THE FOREST SERVICE WAS FACED WITH MAJOR CONTROVERSY OVER ITS TIMBER MANAGEMENT AND UNWILLINGNESS TO NOMINATE WILDERNESS AREAS THAT CONTAINED COMMERCIALY VALUABLE OLD-GROWTH FOREST. CONGRESS TRIED TO SOLVE THE DILEMMA WITH PASSAGE OF THE ALASKA LANDS ACT (ANILCA). WITH THE GUIDANCE PROVIDED BY CONGRESS, THE FOREST SERVICE WAS THEN LEFT TO IMPLEMENT THE NEW TONGASS PLAN, A PLAN HEAVILY DEPENDENT ON ASSUMPTIONS, PREDICTED CONSEQUENCES, AND PROMISES TO PROTECT OTHER RESOURCES. BUT CONGRESS PROVIDED IN ANILCA SECTION 706(B) THAT IF THE FOREST SERVICE WASN'T ABLE TO ACCOMPLISH ALL THAT IT PROMISED, IT WAS EXPECTED TO COME BACK TO CONGRESS FOR HELP.

TODAY THE TONGASS TIMBER PROGRAM CAN ONLY BE DESCRIBED AS "HIGH GRADING." THE FOREST SERVICE PROMISED AND CONGRESS DIRECTED THAT HIGH GRADING NOT BE DONE. YET SINCE THE PASSAGE OF ANILCA THE RECORD CLEARLY DOCUMENTS THAT ROADS AND LOGGING ARE CONCENTRATED IN THE REMAINING HIGH VOLUME OLD GROWTH STANDS. SCIENTISTS AT THE ALASKA DEPARTMENT OF FISH AND GAME CALCULATE THAT THE AVERAGE VOLUME OF TIMBER CUT FROM 1980-1986 WAS 54,000 BOARD FEET PER ACRE. TLMP CALLED FOR 26,000 BOARD FEET PER ACRE. THE AVERAGE VOLUME NATURALLY OCCURRING ON THE TONGASS IS ONLY 21,000 BOARD FEET PER ACRE. THIS HIGH GRADING IS AT THE EXPENSE OF FISH, WILDLIFE, RECREATION AND SUBSISTENCE VALUES.

THIS WINTER SEVER LANDSLIDES HAVE DAMAGED SALMON SPAWNING AND REARING STREAMS -- "ESPECIALLY TO WATERSHEDS IN WHICH LOGGING HAS OCCURRED". THOSE ARE THE WORDS OF THE ALASKA DEPARTMENT OF FISH AND GAME. ONE HUNDRED PERCENT (100%) SNOW COVER IN THE FOREST HAS FORCED THOUSANDS OF DEER INTO THE LOW ELEVATION, HIGH VOLUME OLD GROWTH STANDS. IN THESE STANDS SURVIVAL FOR DEER AND OTHER WILDLIFE IS POSSIBLE, BUT MANY OF THESE STANDS HAVE ALREADY BEEN LOGGED. DEER ARE NOW DYING FROM LOSS OF HABITAT, MOST LIKELY IN THE HUNDREDS.

THE STATE OF ALASKA'S BOARD OF GAME LAST SEPTEMBER WAS FORCED TO MAKE AN EMERGENCY CLOSURE OF THE HUNTING SEASON FOR GRIZZLY BEARS ON NORTHEAST CHICHAGOF ISLAND. BECAUSE OF INCREASED HUMAN ACTIVITY AND ACCESS DUE TO HEAVY HUNTING ALONG LOGGING ROADS AND KILLINGS AT LOGGING CAMP GARBAGE DUMPS, 21 BEARS WERE KILLED IN 1987 AND 14 IN 1988 BEFORE THE EMERGENCY CLOSURE WAS IMPOSED. THAT'S OUT OF A POPULATION OF 120 GRIZZLY BEARS! IN ONE INCIDENT

FOUR GRIZZLY BEARS WERE SHOT OR KILLED AT AN ALASKA PULP CORPORATION LOGGING CAMP AT FRESHWATER BAY ON CHICHAGOF ISLAND WHERE AN OPEN-AIR DUMP WAS USED AS A HUNTING SITE. APC HAD REFUSED TO BUILD AN INCINERATOR AT THE SITE TO PREVENT ATTRACTING GRIZZLY BEARS.

IN PAST TESTIMONY, THE FOREST SERVICE HAS TAKEN CREDIT FOR THE HIGH DEER POPULATIONS AND RELATIVELY HIGH NUMBERS OF SALMON. WILL THEY ALSO SHOULDER RESPONSIBILITY, PUBLICLY, FOR THE COLLAPSE OF THESE POPULATIONS?

TO DATE THE FOREST SERVICE HAS IGNORED ITS OWN PLANNING DIRECTION AND MULTIPLE USE MANDATE. THE AGENCY HAS IGNORED THE GROWING BODY OF SCIENTIFIC DATA THAT PROVES THAT LOGGING AS PRACTICED ON THE TONGASS WILL REDUCE WILDLIFE POPULATIONS AND ADVERSELY IMPACT SALMON. THE FOREST SERVICE HAS IGNORED THE NEEDS OF SUBSISTENCE AND RECREATION USERS. AND THE AGENCY NOT ONLY SUPPORTS MAINTAINING THE CURRENT "MANDATED" HARVEST LEVEL BUT SUGGESTS IT CAN INCREASE THE LEVEL OF CUTTING.

SEACC ALONG WITH MANY ALASKANS FROM SMALL AND LARGE COMMUNITIES AND AN INCREASING NUMBER OF NATIONAL GROUPS ARE DEMANDING MULTIPLE USE MANAGEMENT FOR THE TONGASS.

THE FOREST SERVICE HAS NOT BEEN ABLE TO KEEP ITS MULTIPLE USE COMMITMENTS, AND MOST OF THE TIME HAS NOT SHOWN THE LEADERSHIP TO EVEN ACKNOWLEDGE THAT THERE ARE PROBLEMS. THEY HAVE STATED, IN ESSENCE, THAT THERE ARE NO MAJOR PROBLEMS ON THE TONGASS, AND THAT ANY LEGISLATION SHOULD BE BASED ON THE REVISED TONGASS PLAN.

WITH ALL DUE RESPECT TO THE CHIEF, I'M HERE TO TELL YOU THAT THE TONGASS PLAN REVISION IS DOOMED TO FAILURE. NO MATTER HOW MUCH EFFORT THE FOREST SERVICE PUTS INTO THIS REVISION, NO MATTER HOW MUCH MONEY IT TAKES, OR HOW MUCH PUBLIC INVOLVEMENT IS SOLICITED, THE ANSWERS WILL STILL BE THE SAME AS TODAY — THE 450 IS VIEWED AS A MANDATE, THE 50-YEAR CONTRACTS ARE VIEWED AS A MANDATE, THE MISSION TO CUT TIMBER IS VIEWED AS A MANDATE. LAST YEAR I MET WITH THE LEADER FOR THE TONGASS PLAN REVISION. HE ASSURED ME THAT ALL REASONABLE ALTERNATIVES WOULD BE EXAMINED. HOWEVER, TO DATE TWO KEY STEPS HAVE BEEN LEFT OUT OF THE PLANNING PROCESS.

FIRST, THE ANALYSIS OF THE MANAGEMENT SITUATION (AMS) — THE FOUNDATION ON WHICH TO BUILD ALTERNATIVES — IS MISSING. IN THE TONGASS PLAN PROCESS THIS CRITICAL STEP IS SCHEDULED TO COME AFTER THE ALTERNATIVES HAVE BEEN DEVELOPED. THIS IS CONTRARY TO THE WAY THE PLANNING PROCESS IS SUPPOSED TO WORK.

SECOND, THE DECISION CRITERIA THAT IS THE RATIONALE OF HOW THE FOREST SERVICE WILL SELECT ITS PREFERRED ALTERNATIVES IS MISSING FROM THE PUBLIC PROCESS. THIS IS A MAJOR SHORT-COMING THAT STRONGLY SUGGESTS THAT THE FOREST SERVICE PLANS TO FAVOR AN ALTERNATIVE THAT MAINTAINS THE STATUS QUO.

IF THE FOREST SERVICE WERE SERIOUS ABOUT AN OPEN PUBLIC PLANING PROCESS THEY WOULD STATE NOW, IN SPECIFIC TERMS, THE ELEMENTS OF HOW THEY WILL MAKE THEIR DECISION AND PROVIDE THE ANALYSIS OF THE MANAGEMENT SITUATION.

I KNOW OF NO OTHER NATIONAL FOREST WITH THE LEVEL OF CONTROVERSY AND WITH THE COMPLEXITIES OF THE TONGASS. I PREDICT THAT IT WILL TAKE 4-7 YEARS TO COMPLETE THE REVISION AND THAT IT WILL COST \$4-5 MILLION MORE. THE FOREST SERVICE IS FACED WITH A MAMMOTH UNDERTAKING, AN IMPOSSIBLE TIME SCHEDULE, AND THE RESULTS WILL BE NO DIFFERENT THAN CURRENT MANAGEMENT.

WE NOW KNOW THAT OUR PLANNING ASSUMPTIONS WERE WRONG. THE 450 AND THE 50-YEAR CONTRACTS ARE NOT SUSTAINABLE OVER THE LONG-TERM WITHOUT DAMAGING OTHER VALUES. THE COMMITMENTS MADE IN THE TONGASS PLAN FOR PROTECTION OF FISH AND WILDLIFE HABITAT, PROTECTION OF SUBSISTENCE OPPORTUNITIES, AND COMMUNITY STABILITY WERE PROMISED, BUT DELIVERED ONLY TO THE EXTENT THAT THE TIMBER HARVEST ALLOWED. I'M AFRAID THAT MULTIPLE USE ON THE TONGASS STILL MEANS TIMBER, ROADS, AND MORE TIMBER.

ESSENTIALLY THE FOREST SERVICE SAYS, "TRUST US." HOWEVER, SIXTEEN COMMUNITIES IN THE TONGASS AND ALL THE COMMERCIAL FISHING GROUPS IN SOUTHEAST ALASKA HAVE LOST CONFIDENCE IN THE FOREST SERVICE PLANNING PROCESS. THESE COMMUNITIES AND FISHING ORGANIZATIONS HAVE PASSED RESOLUTIONS ASKING FOR REMOVAL OF THE 4.5 BILLION BOARD FOOT TIMBER GOAL NOW — NOT AFTER THE TONGASS PLAN REVISION. THEY ARE JOINED BY THE ALASKA NATIVE BROTHERHOOD, AN ORGANIZATION REPRESENTING OVER 16,000 NATIVE PEOPLE IN ALASKA, THE UNITED FISHERMEN OF ALASKA, THE TONGASS TOURISM AND RECREATION BUSINESS ASSOCIATION, AND ALASKANS FOR RESPONSIBLE RESOURCE MANAGEMENT. THESE GROUPS ARE ASKING CONGRESS FOR RELIEF BECAUSE CURRENT TONGASS MANAGEMENT THREATENS THEIR WAY OF LIFE.

THESE COMMUNITIES ARE ALSO INCREASINGLY TURNING TO LITIGATION TO TRY TO SOLVE THEIR PROBLEMS. THE CITY OF TENAKEE SPRINGS HAS GONE TO COURT TO PROTECT ITSELF FROM FOREST SERVICE LOGGING AND ROAD BUILDING THREE TIMES IN THE LAST FIVE YEARS. SO HAVE NATIVE TLINGIT CLANS FROM THE VILLAGE OF HOONAH. POINT BAKER, PORT PROTECTION, AND PORT ALEXANDER HAVE RECENTLY AUTHORIZED APPEALS OF TIMBER SALES IN PREPARATION FOR GOING TO COURT. THE PUBLIC HAS BEEN FORCED TO GO TO THE COURTS AND TO CONGRESS FOR HELP.

THE PROBLEMS OF THE TONGASS WERE CREATED BY POLITICAL DECISIONS AND THE SOLUTIONS CAN ONLY BE FOUND IN POLITICAL DECISIONS. CONGRESS NEEDS TO GET MANAGEMENT OF THE TONGASS BACK ON TRACK. WITHOUT CONGRESSIONAL ACTION WE FACE A CONTINUED ELIMINATION OF THE REMAINING HIGH VOLUME OLD-GROWTH FORESTS.

THE TONGASS NATIONAL FOREST MUST BE PUT UNDER MULTIPLE-USE MANAGEMENT AND THE FOREST PLANNING SYSTEM ALLOWED TO WORK. TO ACHIEVE THIS, CONGRESS MUST REMOVE THE MANDATED 450 TIMBER SUPPLY GOAL, MUST PUT TONGASS TIMBER PROGRAM FUNDS BACK UNDER THE NORMAL APPROPRIATIONS PROCESS, MUST TERMINATE THE 50-YEAR CONTRACTS AND REPLACE THEM WITH SHORT-TERM SALES AND COMPETITIVE BIDDING, AND MUST GRANT LASTING PROTECTION WITH WILDERNESS DESIGNATION TO A SMALL NUMBER OF KEY WATERSHEDS. WE STRONGLY SUPPORT THE WILDERNESS DESIGNATIONS IN H.R. 987 AND WE TESTIFIED TO THAT EFFECT YESTERDAY. THIS WILL SAFEGUARD ECONOMICALLY IMPORTANT COMMERCIAL FISHERY HABITAT AND PRIME OLD GROWTH AREAS THAT WERE LEFT OUT OF THE ALASKA LANDS ACT. WE WILL BE SUBMITTING OUR LANDS PROTECTION PROPOSAL FOR THE RECORD BY THE END OF THIS WEEK.

I'D LIKE TO RAISE TWO POINTS ABOUT THE 50-YEAR CONTRACTS:

RENEGOTIATING THE CONTRACTS WILL NOT ACHIEVE NECESSARY CHANGES. H.R. 1368 DIRECTS THE FOREST SERVICE TO RENEGOTIATE THE CONTRACTS TO ACHIEVE CERTAIN MUCH-NEEDED REFORMS. WHILE THIS MAY BE A GOOD FIRST STEP, SEACC IS EXTREMELY SKEPTICAL THAT THE FOREST SERVICE WILL ACHIEVE MEANINGFUL REFORM OF THE CONTRACTS. TEN MONTHS AGO BEFORE THIS COMMITTEE, THE FOREST SERVICE CONTRACT OFFICER AND THE TWO PULP MILLS AGREED THAT ANY CHANGES TO THE CONTRACT MUST BE "MUTUAL" (SEE HOUSE AGRICULTURE HEARING COMMITTEE REPORT ON H.R. 1516, MAY 25, 1988, SERIAL NO. 100-86, PP. 584-587, 612, 724.) "MUTUAL" CHANGES MEANS THAT THE FOREST SERVICE GIVES SOMETHING UP IN RETURN FOR AN ENVIRONMENTAL OR ECONOMIC MODIFICATION GAINED. IN LAST YEAR'S HEARING BOTH PULP MILLS STATED CLEARLY THEY WOULD SUE FOR BREACH OF CONTRACT FOR ANY UNILATERAL MODIFICATIONS (IBID., PP. 612, 724.) ONE OF THE MILLS HAS ALREADY SUED THE GOVERNMENT FOR \$80 MILLION, PARTLY BECAUSE THE FOREST SERVICE MADE UNILATERAL CHANGES TO A FIVE-YEAR LOGGING PLAN UNDER THE 50-YEAR CONTRACTS. AND THE CHIEF HIMSELF TOLD YOU THAT THE CONTRACT MODIFICATIONS IN LAST YEAR'S TONGASS TIMBER REFORM ACT: "...IS PRETTY LOOSE AS TO WHAT IS EXPECTED OF US (IBID., P.145)."

REPLACING THE 50-YEAR CONTRACTS WITH SHORT-TERM TIMBER SALES WILL NOT DRIVE THE PULP MILLS OUT OF BUSINESS. TO GET TO THE ROOT OF TONGASS MANAGEMENT PROBLEMS, CONGRESS SHOULD REPLACE THE TWO 50-YEAR CONTRACTS WITH A SYSTEM OF SHORT-TERM SALES AND COMPETITIVE BIDDING. SEACC SUPPORTS THE CONTRACT TERMINATION PROVISIONS OF CONGRESSMAN MRAZEK'S H.R. 987. TERMINATING THE 50-YEAR CONTRACTS WILL NOT DRIVE THE PULP MILLS OUT OF BUSINESS. BUT THEY WILL HAVE TO OPERATE IN A MORE COMPETITIVE MARKET. THE FOREST SERVICE COULD OFFER TIMBER THROUGH THE STANDARD THREE TO FIVE YEAR TIMBER SALES USED IN ALL OTHER

NATIONAL FORESTS. THESE SALES WOULD BE CHOSEN, LAID-OUT, APPRAISED, AND PUT ON THE MARKET BY THE FOREST SERVICE. ANY COMPANY INCLUDING THE PULP MILLS COULD BID ON A GIVEN SALE. (THE TWO PULP MILLS COULD EVEN BID AGAINST EACH OTHER!) PULP-GRADE LOGS WOULD STILL BE PURCHASED AND PROCESSED BY THE PULP MILLS. H.R. 987 MERELY CHANGES THE WAY THE PULP MILLS WOULD RECEIVE FEDERAL TIMBER.

MR. CHAIRMAN, I HAVE SUBMITTED WITH MY WRITTEN TESTIMONY, ADDITIONAL TESTIMONY FROM STEVE KALLICK REGARDING THE NEED TO TERMINATE THE 50-YEAR CONTRACTS. I ASK THAT YOU MAKE HIS STATEMENT A PART OF THE WRITTEN RECORD AND HOPE YOU WILL HAVE TIME TO ASK HIM SOME QUESTIONS. I WOULD ALSO LIKE TO SUBMIT SEACC'S TESTIMONY FROM YESTERDAY'S HEARING ON H.R.987 FOR THE PRINTED RECORD.

SOME HAVE ASSERTED THAT CONGRESS MADE A "DEAL" IN THE ALASKA LANDS ACT THAT SHOULD NOT BE CHANGED. THE 450 BOARD FOOT FIGURE AND THE TONGASS TIMBER SUPPLY FUNDS WERE TO BE IMPLEMENTED THROUGH THE TONGASS LAND MANAGEMENT PLAN. THAT PLAN WAS THE ONLY DEAL THAT I'M AWARE OF. THE PLAN PROMISED THAT: ALL FISH HABITAT WOULD BE PROTECTED, RETENTION OF WILDLIFE HABITAT IN EACH DRAINAGE WOULD BE ADEQUATE FOR VIABLE POPULATIONS, SUBSISTENCE OPPORTUNITIES WOULD BE PROTECTED, AND THAT IT WOULD PROVIDE FOR COMMUNITY STABILITY. THE PLAN PROMISED THAT 27% OF THE TIMBER HARVEST WOULD COME FROM LOW VOLUME/MARGINAL STANDS.

I HAVE TRAVELED FROM ALASKA TO TELL YOU THAT THAT DEAL HAS NOT BEEN KEPT. THE FOREST SERVICE HAS DONE ITS BEST TO PROVIDE THE 450 ANNUAL BOARD FEET FROM HIGH VOLUME STANDS AT THE EXPENSE OF THE OTHER PROVISIONS OF THE PLAN. THE

CONTRACT BETWEEN THE FEDERAL GOVERNMENT AND THE AMERICAN PEOPLE HAS BEEN
BROKEN!

SEACC IS A LOCAL CONSERVATION GROUP. WE LIVE IN SOUTHEAST. SOME OF US LOG
FOR A LIVING AND SOME LOG FOR SUBSISTENCE. WE ALL DEPEND ON THE TONGASS FOR
OUR WELL-BEING INCLUDING OUR DIRECT AND INDIRECT ECONOMIC DEPENDENCY. WE
SUPPORT A TIMBER INDUSTRY IN ALASKA, BUT NOT THIS TIMBER INDUSTRY. WE SUPPORT
ACTIONS THAT WOULD ENCOURAGE AND FOSTER SMALL AND MODERATE SIZE INDEPENDENT
TIMBER OPERATIONS IN OUR REGION. WE BELIEVE THE TIMBER INDUSTRY SHOULD BE RE-
STRUCTURED SO THAT IT IS COMPATIBLE WITH THE RENEWABLE RESOURCE INDUSTRIES OF
THE FOREST, INCLUDING COMMERCIAL FISHING AND TOURISM, AND WITH THE PROTECTION
OF KEY FISH AND WILDLIFE HABITAT AND SUBSISTENCE USE AREAS.

A RE-STRUCTURED INDUSTRY CAN STILL UTILIZE PULP GRADE LOGS EITHER IN A PULP
MILL OR IN A CHIPPING FACILITY, AND LOGS COULD EVEN BE EXPORTED TO THE LOWER
48 STATES. WE SUPPORT MORE INTENSIVE MANAGEMENT OF ALREADY DEVELOPED LANDS
AND SECOND-GROWTH FOREST AREAS. WE WANT TO RE-ESTABLISH THOSE GOOD OLD
AMERICAN CONCEPTS OF FREE ENTERPRISE AND COMPETITION TO THE TONGASS. WE JUST
THINK THE PULP MILLS SHOULD OPERATE ON THE SAME COMPETITIVE BASIS AS EVERYONE
ELSE. NOTHING WE ARE ASKING YOU TO DO WILL STOP THEIR OPERATIONS. WE ARE
SIMPLY ASKING THAT OUR FOREST BE MANAGED LIKE ALL THE OTHERS.

DURING MY YEARS WITH THE FOREST SERVICE I ADVOCATED AN ENLIGHTENED LAND ETHIC.
I TRUSTED THE FOREST SERVICE PLANNING PROCESS, AND I WORKED HARD TO CONVINCE
OTHERS TO TRUST THE FOREST SERVICE PLANNING PROCESS. TODAY, HOWEVER, I AM
SICKENED AT WHAT IS HAPPENING ON THE TONGASS. THE TONGASS PLAN PREDICTIONS

ARE WRONG. THE TONGASS PLAN PROMISES ARE BROKEN. TODAY I'D LIKE TO PUBLICLY APOLOGIZE FOR PROMISING TO PEOPLE THAT THE TONGASS PLAN WOULD RESULT IN TRUE MULTIPLE-USE MANAGEMENT. I WANT TO APOLOGIZE TO THE AMERICAN PUBLIC FOR ASKING THEM TO TRUST THE PLAN.

WITH ALL DUE RESPECT WE BELIEVE THAT H.R. 1368 DOES NOT GO FAR ENOUGH TO ACHIEVE THE COMPREHENSIVE TONGASS REFORMS NEEDED TO SET TONGASS MANAGEMENT BACK ON TRACK. WE URGE YOU TO STRENGTHEN SECTION 2 OF THE BILL TO CANCEL THE 50-YEAR CONTRACTS AND REPLACE THEM WITH SHORT-TERM TIMBER SALES, AND TO PROTECT THE 23 KEY FISH AND WILDLIFE AREAS LISTED IN H.R. 987 AS WILDERNESS.

THANK YOU FOR THIS CHANCE TO TESTIFY. STEVE AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

(Attachments follow:)

STATEMENT OF STEVEN E. KALLICK

STAFF ATTORNEY

SOUTHEAST ALASKA CONSERVATION COUNCIL

Accompanying K.J. Metcalf, Vice-President, SEACC

REGARDING H.R. 1368 (TONGASS TIMBER MANAGEMENT ACT)

BEFORE THE HOUSE AGRICULTURE COMMITTEE

SUBCOMMITTEE ON FORESTS, FAMILY FARMS, AND ENERGY

March 15, 1989

INTRODUCTION

Mr. Chairman, distinguished members of the Committee, I thank you for the opportunity to testify today in regard to bills which bring long-overdue reforms to the management of the largest and, we believe, most spectacular national forest in the United States. H.R. 987, Congressman Mrazek's Tongass Timber Reform Act of 1989 and H.R. 1368, the Tongass Timber Management Act of 1989 sponsored by Congressmen Volkmer and Morrison, would protect a national treasure: a seventeen million acre public forest containing the last large tracts which remain of a magnificent primeval rainforest that once stretched from the redwoods of California to the Sitka spruce of coastal Alaska.

My name is Steven Kallick. I am the Staff Attorney for the Southeast Alaska Conservation Council (SEACC) in Juneau, Alaska. We are a coalition made up of thirteen separate member groups from eleven Southeast Alaska communities, including Sitka, Ketchikan, Juneau, Wrangell, Petersburg, Tenakee Springs, Point Baker, Gustavus, Haines, Yakutat and Pelican. SEACC also has over 900 individual members.

As SEACC's attorney, I specialize in litigation and administrative appeals concerning forest planning in the vast Tongass National Forest, which encompasses our entire region and rivals the state of West Virginia in land area. SEACC regularly joins in legal actions with other conservation organizations; with rural Alaska communities; commercial fishermen; Alaska Native and rural people who continue to live in traditional ways off of the bounty of the land and sea; tourism companies; and even small-scale logging

concerns. We are united with this diverse group by a common enemy: the fifty-year logging contracts unique to the Tongass. The vast majority of my legal practice and nearly all environmental litigation on the Tongass over the last two decades has directly involved the fifty-year contracts.

This chronic and persistent litigation is easily understandable. Despite two decades of legislation designed to protect our national forests and manage them for a variety of other uses in addition to timber production, the Tongass National Forest remains first and foremost a pulp timber allotment -- managed more like a private plantation than a public reserve. The fifty-year contracts control Forest Service management and all other uses of the Tongass to an unwarranted and unwise degree; they set up exclusive fiefdoms for the contract holders and assure the majority of Tongass timber is sold without benefit of competitive bid; and they form the root of the timber-biased management that threatens other competing uses of our forest today.

We support complete termination of these contracts and replacement of their volumes in normal, short-term Forest Service timber sales, as called for in H.R. 987. We believe H.R. 1368, while it takes a great leap forward in regard to reforming these contracts, should nevertheless be amended to terminate them. My testimony today discusses the reasons why we believe termination is warranted.

NORMAL FOREST MANAGEMENT CANNOT BE ACHIEVED UNDER

THE FIFTY-YEAR CONTRACTS

Normal forest management consistent with the standards set by the Forest

Service in all other national forests cannot be achieved on the Tongass primarily because of the requirements of the fifty-year contracts. Signed in 1954 and 1957 respectively, the two fifty-year timber sale contracts on the Tongass command at least two-thirds of the entire timber production of the forest until well into the next century. Forest Service management reforms inconsistent with these contracts will not be fully implemented until expiration, which will in many ways be far too late to matter.

THE FIFTY-YEAR CONTRACTS AND FOREST PLANNING

The fifty-year contracts unreasonably constrain Forest Service planning at all levels. According to the National Forest Management Act of 1976 (NFMA, codified in scattered sections of Title 16 of the United States Code), the Forest Service is required to set the allowable timber sale quantity for each national forest in its forest plan. Deciding how much timber to sell requires a complex assessment of all demands for forest uses and the capacity of the forest to meet those needs; timber needs are to be balanced against all other uses.

On the Tongass, however, two-thirds of the land of the forest is spoken for already because the fifty-year contracts require at least 300 million board feet annually, no matter what the plans find. Indeed, the most plausible explanation for the provisions of section 705 of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA) requiring additional funding to develop marginal timber lands is the lack -- discovered by the Forest Service in the late 1970s -- of sufficient normally economical timber to meet

the fifty-year contracts and still maintain an independent sale program. If the Forest Service once again finds such a shortage in the upcoming revision of the Tongass forest plan, the fifty-year contracts will continue to foreclose options.

TIMBER SALE PLANNING UNDER THE FIFTY-YEAR CONTRACTS

The five-year operating plans which implement the fifty-year contracts also constrain forest planning. For example, Tongass plan revision will not be complete before late 1991. By that time both fifty-year contract holders -- Ketchikan Pulp Company (KPC) and Alaska Pulp Corporation (APC) -- will be operating under new five-year plans which guarantee 1.7 billion board feet of timber lasting until the years 1994 and 1995, respectively. Thus, critical decisions about land allocation will already have been made before the forest plan, with huge areas scheduled for logging outside of, beyond, and regardless of the results of the NFMA process.

Development of the five-year operating plans involves selection of areas to be logged for that period. Though procedures for delivery of timber under the fifty-year contracts differ substantially from a normal, short-term Forest Service timber sale, these operating plans serve a function roughly equivalent to a very large timber sale, with the site-specific environmental and economic analysis occurring at that stage. In selection of areas to be logged, the glaring and unquestionably detrimental differences between normal sales and the fifty-year contracts can be clearly seen.

In a normal Forest Service timber sale, the Forest Service decides where

to allow logging and how much to cut. Not so under the fifty-year contracts. According to provisions of both fifty-year contracts, the companies submit to the Forest Service each five years a list of areas in which they intend to log. The Forest Service has contractually limited authority to make changes to the list: under KPC's contract the Forest Service must substitute for logging units it rejects (Section 1(c)1) and under APC's contract the Forest Service is further limited to reserving a total of 5% of the contract volume over the entire sale (Section 1d(5)). These provisions substantially alter the authority of the Forest Service to manage logging under the contracts.

Worse yet, in practice the contract holders can bring enough pressure on the Forest Service officials to assure that they are almost never required to log in an area they have not selected and are very rarely even temporarily denied access to an area selected. Last year, this Committee expressed great interest in the patterns of submission by the mills and selection by the Forest Service. A review of the recent operating plans illustrates in stark terms the degree to which KPC and APC control logging on their contract areas.

In APC's current operating plan (1986-90) the final sale layout selected by the Forest Service, Alternative J, was exceptionally similar to the alternatives submitted by APC, Alternatives D and H. Alternative J required no logging by APC in any area not included in Alternatives D or H. Moreover, when Alternative J was modified to remove the Lisianski River valley logging proposal (after unprecedented public outcry), the full volume was substituted by adding units primarily drawn from APC's earlier Alternative D.

In KPC's current operating plan (1984-89), the Forest Service did not and

has not yet identified the company alternative as separate from the other four alternatives considered, claiming it "did not consider alternatives from all interested parties such as the purchaser and SEACC." However, there is no indication that the company either waived its contractual right to submit a logging proposal or was not allowed to participate in planning for its five-year plan. Quite the contrary, the submissions to this Committee after last year's hearing clearly identify the selected alternative as KPC's alternative and note that "the purchaser [KPC] supported the preferred alternative with some reservations." Because the Forest Service's construction and adoption of an alternative developed outside of the contractual process would clearly be a breach, it can be reasonably assumed that the purchaser's alternative was the basis for the selected alternative and did not vary materially.

Further support for that assumption can be drawn from a review of the previous KPC operating plan (1979-84). There the company's Alternative 1 is virtually identical to the selected Alternative 4, with logging authorized in every planning unit selected by the company and in no other areas.

Similarly, in the next operating plan for KPC (1989-94), all the draft alternatives (except the "no action" alternative required by law) are minor variations based on the company's submitted alternative, each scheduling logging in most of the same planning units. Only in a few of about fifty areas proposed for cutting has the Forest Service indicated an intent to require KPC to log an area not requested and it appears that no area requested by the company will be denied, though final plan approval is still pending.

The only apparent exception to this extraordinary pattern of compliance is APC's 1981-86 operating plan, which is nevertheless also illustrative in its subsequent implementation of the degree to which the fifty-year contract holders control logging on their allotments. There the Forest Service attempted to force APC to log two areas it did not initially select, Catherine Island and Game Creek. Clearcut sizes in other areas were substantially reduced.

APC subsequently refused to log Catherine Island and in 1985 the Forest Service removed the area from the plan. Game Creek was partially logged. Clearcut sizes were later expanded by adding unlogged units from the 1981-86 plan to the units for the next five-year plan. After the plan ended, though, APC sued the Forest Service in the federal Claims Court, alleging among other things that the Forest Service breached its fifty-year contract by "rejecting the selection submitted by APC and unilaterally selecting the timber for the [1981-86] operating period." Alaska Pulp Corporation v. United States, No. 675-87C, Complaint at 20 (filed October 30, 1987, United States Claims Court). The Forest Service seems to have learned its lesson, judging from the layout of the current 1986-90 APC plan.

IMPLEMENTATION OF SALE PLANS UNDER THE FIFTY-YEAR CONTRACTS

Once five-year operating plans are in place they continue to be managed by rules far different from those that apply to short-term sales. Both fifty-year contracts allow the companies to reject and appeal logging units that do not meet the economic standards guaranteed by the contracts,

guarantees that also distinguish these sales. Both contracts allow the company to choose whether to log its areas or carryover the volume to subsequent operating periods. APC's contract in fact allows the company to keep vast amounts of timber from previous operating periods, with the effect of intensifying logging activity during good market conditions and locking in favorable prices determined as much as ten years earlier. Despite substantial carryover volumes, APC is also entitled to a full allotment of new timber each five years without regard to its unused volumes.

Because of the right to cut only units meeting the commonly accepted definition of "economical" (i.e. more than 30,000 board feet per acre) as well as other unique contractual rights, both fifty-year contracts allow high-grading of the Tongass timber base. As the Tongass forest plan makes clear, large amounts of uneconomic timber must be logged to meet the forest-wide allowable sale quantity, since the entire timber base averages only 26,000 board feet per acre. Yet the companies have a right to refuse such timber. The Forest Service, in an internal review of the contracts, concluded that the ability of the contract holders to "pick and choose" only those logging units they deem desirable "severely restricts the Forest Service from properly managing the Forest.... The average volume per acre being harvested on the allotments is far above the average for the forest." But nothing has been done to correct these abuses, in great part because of the guarantees contained in the fifty-year contracts.

NEPA PLANNING UNDER THE FIFTY-YEAR CONTRACTS

The National Environmental Policy Act of 1970 (42 U.S.C. sec. 4321, et

seq.)(NEPA) requires comprehensive environmental planning for all major federal actions, including timber sales. However, under the fifty-year contracts, the five-year operating plans cover enormous areas -- larger than most entire national forests in other states -- and provide timber volumes 10-15 times larger than any other Tongass timber sales. Moreover, the NEPA planning duties are in many ways at odds with explicit terms of the fifty-year contracts. Implementation of NEPA has never been satisfactorily accomplished in the fifty-year contract areas and a torrent of litigation has resulted, litigation which makes up the vast majority of all environmental cases ever brought on the Tongass.

Starting in 1971, then in 1974, 1978, 1984, 1986, and in 1988, major legal challenges have been brought against operations under the fifty-year contracts. Each of these challenges attacks NEPA compliance. In recent years, these challenges have resulted in federal court orders forcing the Forest Service to consider in its five-year operating plans site-specific impacts, site-specific no action alternatives, impacts to traditional subsistence uses, impacts of field changes to five-year operating plan layouts, and other matters routinely considered in environmental studies accompanying normal, short-term timber sales.

Future challenges are likely to be brought. NEPA requires serious consideration of a broad array of alternatives to a proposed action. Yet, in APC's current operating plan the Forest Service considered only those alternatives which met contract volume requirements, thus presenting the residents of Point Baker with ten identical alternatives which all proposed extensive logging in the East Kuiu Island subsistence and fishing use area.

On KPC's contract area the Forest Service also refuses to seriously consider any alternative at variance with contract volume requirements.

When challenged in court over non-compliance with NEPA, the Forest Service shows a level of candor generally exceeding its conduct before Congress. A December 1987 brief filed by Robert Maynard, Alaska Counsel for the Department of Agriculture, admits that consideration of a "no action" alternative "was not available to the Forest Service [in APC's 1981-86 plan], since it was inconsistent with APC's contract." The brief also defends its limited selection of alternatives by saying "[b]ecause of APC's rights under the contract, the decision before the Forest Service was simply one of allocation.... the decision was not whether or how much to cut and build roads, but rather where within the sale area to do so...." Judging by the range of alternatives portrayed in the draft KPC 1989-94 operating plan, this view of the interplay of the contracts and subsequent legislation still holds within the Forest Service.

THE FIFTY-YEAR CONTRACT HOLDERS HAVE ABUSED THEIR RIGHTS

After last year's testimony, this Committee should be well aware that the holders of the fifty-year contracts have abused their rights under the contracts. In 1981, after passage of ANILCA, the federal district court for the Western District of Washington found both KPC and APC guilty of anti-trust violations spanning most of the lives of their contracts. A subsequent follow-up investigation by the Forest Service found that the companies had also defrauded the government out of between 63 and 81 million dollars and that the companies had materially breached their contracts. The case was

referred to the Department of Justice, which unfortunately took no action, citing proof problems. The Forest Service then pursued administrative claims for a small portion of the total, most of which remains unrecovered today.

In 1985 and 1986 both mills broke their union agreements and dissolved their unions, bringing in large numbers of non-Alaskan workers to replace fired workers. This action was conducted in clear defiance of contractual provisions requiring recruitment of local labor. Again the Forest Service took no action. Even today, a full 40% of Southeast Alaska logging jobs are filled by non-resident workers.

APC has gone even further, according to the House Interior Subcommittee on Oversight and Investigations. Last year, that subcommittee released a report concluding that APC millwright Florian Sever, who appeared before this Committee last year, was fired for testifying in favor of last year's Tongass reform legislation. This matter was also referred to the Justice Department.

Finally, both mills have a long history of non-compliance with national and state clean air and water standards, resulting in an endless series of enforcement actions, settlements, violations, enforcement actions, and new settlements. These actions evidence a contempt for Congress, the courts, and the people of the United States who continue to underwrite the contract holders with their valuable tax dollars and priceless old-growth trees. As former Congressman John Sieberling noted in 1985, these mills have long ago forfeited any moral claim for continuation of their bargains.

THE FIFTY-YEAR CONTRACTS SHOULD BE TERMINATED AND REPLACED
WITH SHORT-TERM SALES

While SEACC generally supports the intent of the renegotiation provisions of H.R. 1368, we are convinced that immediate termination and replacement with short-term sales is the better public policy. Past history proves that the Forest Service is either unable or unwilling to make the needed changes to these anachronistic contracts. The agency clearly requires Congressional action to remove its burdens.

RENEGOTIATION WILL NOT WORK

In 1976, the accumulated evidence adduced by Congress in the NPMA debate resulted in the inclusion of Section 15(b), ordering the contracts to be brought in compliance with the new law and, in the words of the Senate report, "conducted in accordance with the same standards which would apply to new [short-term] sales in Alaska." This was not done. Only minor amendments were completed and the management of the fifty-year contracts continues today to differ radically from short-term Tongass sale.

Again in 1981, the Forest Service review team looking into the anti-trust case suggested a number of important amendments that the Forest Service should undertake in order to make the long-term contracts more like short-term sales. The most important of these reforms, contained in case file C1/C4, were not implemented because the contract holders would not agree to the changes.

Even last year, before this Committee, the Forest Service contracting officer in charge of the fifty-year contracts agreed with the testimony of the pulp mills that most changes to the contracts must be mutually agreed on by both parties, due to explicit contractual clauses. Fear of these rights has blocked Forest Service attempts to unilaterally fix glaring contract problems. Even under NFMA authority, for example, the Forest Service has not changed provisions allowing the pulp mills to refuse to cut certain areas, despite the severe management restrictions posed, citing the need to secure company agreement.

Perhaps the Forest Service should fear its reading of the contracts: securing pulp mill agreement to alterations has been expensive for the government. In 1986, the Forest Service signed an agreement with KPC resolving a number of claims that had been brought to court. The agreement provided that the government would receive one million dollars in damages for previous anti-trust violations, receive the right to make rate redeterminations in favor of the government when timber prices rise sharply, and receive the right to count utility logs against KPC's contract volume.

To secure these agreements, however, the government was forced to bargain away the rest of its anti-trust claim, exonerate the mill from any further anti-trust liability to the date of settlement, and allow KPC to "bank" otherwise ineffective purchaser road credits (when timber rates are at or near base levels) to offset against future timber purchases when rates would otherwise climb. In essence this last clause, not even enjoyed by APC, may well insure that KPC never pays for another road on its contract area.

In a similar dispute resolution, with even worse results, the Forest Service agreed in January, 1985, to allow APC to waive certain contractual clauses, trade in large volumes of unwanted carryover timber (including Catherine Island, cited above), and cut less than the minimum volume required under the contract for a five-year period. In exchange, the Forest Service received two agreements it already arguably had a right to under existing contract provisions: APC's agreement to allow the unwanted Catherine Island timber to be sold as an independent sale within the contract area, and APC's agreement not to bid on Tongass sales outside its contract area for a period of only two years -- presumably to help rebuild the independent operators APC had run out of business in the first place.

The stage is therefore set for another negotiation battle resembling the government's fate at the Little Big Horn. Already, APC has a pending breach suit for alleged unilateral modifications. Both KPC and APC testified last year that they would sue again for breach if additional unilateral changes were attempted, as a result of Tongass reform legislation. And the government is already balking at renegotiation instructions virtually identical to those included in H.R. 1368; the Chief of the Forest Service stated here last year that those provisions are "pretty loose as to what is expected of us." We implore you and your Committee not to expect too much. Instead, simply terminate the contracts and wipe the Tongass slate clean, replacing the lost volumes with standard, short-term sales.

TERMINATION IS BEST POLICY

Termination of the Tongass fifty-year contracts is clearly the best public policy. First, it will not be subject to poor implementation by the Forest Service, as contrasted to the renegotiation approach. It has the advantage of elegance and simplicity.

Second, the result will not be another hybrid between the long-term sales and normal, short-term sales. Instead, the fifty-year contracts will be uprooted and replaced in their entirety with normal sales, open to all bidders. Competition in the industry and Forest Service management will benefit immeasurably. Rather than harming the Southeast Alaska timber industry, it will be strengthened in the long run.

Third, government liability for termination is quite limited, as shown in Hedstrom Lumber v. United States, 7 Cl.Ct. 16 (1984). There, where the government consented to be sued for "just compensation" for terminating seven timber sales, the court upheld the government's statutory definition of compensation, limiting it to replacement timber premiums, actual out-of-pocket expenses, and increased haul costs. Breach damages like lost profits were clearly disallowed, since the action was a proper exercise of sovereign authority to protect the rights of the public before private contractors. A renegotiation resulting in a successful breach suit might not fall under that exception, thus exposing the government to greater liability. Under termination, though, the Congressional Research Service concluded that just compensation, if awarded at all, would range between \$21 and 150 million, with

the low figure more likely (that estimate, based on less advantageous conditions prevailing two years ago, should be substantially lower now).

In conclusion, SEACC respectfully suggests that H.R. 1368 be amended to conform with the contract termination provisions of H.R. 987. Thank you for the opportunity to testify today.



Fish & Game

BULLETIN

JANUARY 1989
Volume XI, Issue 1

Southeast Streams Harmed by December Storm

The record two-day December rainfall caused severe environmental damage to many creeks and drainages in Southeast, especially to watersheds in which logging has occurred. Mudslides and streambed scouring were common. For additional information contact Rick Reed at 465-4290.

March 7, 1989

Honorable Rep. Volker,,

I am writing regarding the Tongass Timber Reform Act. It is my opinion that the long-term timber sale contracts with LPK and APC should be cancelled and replaced with short-term sales as used elsewhere on national forest lands. I have lived in Southeast Alaska since 1978. During that time I worked for five years as a wildlife biologist for the U.S. Forest Service and for two years as a biologist for the Alaska Department of Fish and Game where I helped prepare the state position for the 1986 ANILCA 706(b) report. Currently I am a commercial fisherman.

While employed by the Forest Service, I was involved with both NEPA planning on the 86-~~APC~~ APC sale and field work in the sale areas. I have observed that the Forest Service has often failed to administer the long-term contracts as specified in the environmental documents. Timber harvest plans developed under the NEPA process were often substantially changed during the actual logging phase. This sometimes resulted in environmental impacts not foreseen during the planning process.

For example, in the early 1980's on Kuiu Island, about 25 million board feet of timber were sold to APC by...

the Petersburg Ranger District without any public, state, or IDT review. This timber consisted mostly of leave strips between existing clearcuts and resulted in many huge clearcuts in excess of 100 acres (the maximum size specified by the National Forest Management Act at that time). The leave strips had been designed in sale planning to buffer streams, provide travel corridors for wildlife, promote habitat diversity, mitigate impacts from clearcutting, and reduce visual impacts. The layout of the new harvest units mainly involved only a Forest Service and an APC logging specialist and ~~the~~ were sold upon the agreement of the company and the District Ranger. This action avoided NEPA analysis and was contrary to the intent of the current environmental impact statement.

Putting the two large logging companies in Southeast Alaska under the short-term timber sale program would result in better compliance with environmental analysis documents, as well as result in more competitive bidding on timber sales.

I appreciate the attention Congress is giving the Tongass National Forest and all the issues involved in its management.

Please be advised that there is much support for eliminating the 50-year contracts and reducing the Tongass timber harvest level among residents of Southeast Alaska.

Sincerely,
Joseph S. Dean
Box 61
Petersburg, AK

(Additional attachments are held in the committee files.)



THE WILDERNESS SOCIETY

STATEMENT OF JOSEPH R. MEHRKENS OF THE SOUTHEAST ALASKA NATURAL RESOURCES CENTER ON THE TONGASS TIMBER REFORM ACT, BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE, MARCH 15, 1989.

I am Joseph R. Mehrkens, representing the Southeast Alaska Natural Resources Center located in Juneau, Alaska. The Center is a joint venture between The Wilderness Society and the Underhill Foundation. The Center's work is directed at improving the economic and ecological management of the vast natural resources on the Tongass National Forest.

Southeast Alaska has been my home for most of the past 14 years. Early in my career with the Forest Service, I worked as a forest hydrologist on the Stikine Area of the Tongass. When I resigned from the agency in 1987, I was forest economist for the Alaska Region. One of my principal duties as regional economist was to prepare Tongass timber supply and demand reports to Congress as required by the Alaska National Interest Lands Conservation Act (ANILCA).

Since 1987, I have been working toward Tongass management reforms, many of which are contained in H.R. 1368. My statement today is in unqualified support of Sections 3 and 4 of that measure. While we support the intent of Section 2, it has the potential to reduce the benefits of Sections 3 and 4 and slow reform on the Tongass.

My reservations about Section 2 are illustrated in the following discussion of the long-term timber sale contracts held by Louisiana Pacific-Ketchikan and Alaska Pulp Corporation on the Tongass. These contracts, as much as the mandatory timber supply and permanent appropriation created by Section 705 of ANILCA, control management of the Tongass and supersede the forest planning process in southeast Alaska. In fact, despite several forest planning efforts over the past years, Tongass management remains inflexible, unaccountable, and inefficient. The root cause of these difficulties lies with the Forest Service's devotion to an economic development scenario based on the rigid provisions of the long-term contracts.

Long-Term Timber Sale Contracts

The starting point in understanding how the Tongass came to be mismanaged begins with a review of the irrational management practices required by the two long-term timber sale contracts. For example, the agreements require the Forest Service to make more timber available to the pulp mills than will be harvested. In addition, the agreements prevent the Forest Service from managing an increasing share of the Tongass for the benefit of other forest-dependent industries such as commercial fisheries, tourism and recreation, and even new entrants into the timber industry.

Terminating the contracts would be a major step toward insuring that all forest-dependent industries and a broader range of the public are afforded a real opportunity to help set management priorities for the Tongass. That the Forest Service resists this initiative is not at all surprising, considering that the agreements and the policies that flow from them afford a great deal of institutional security to the agency.

The Forest Service has made a practice of ignoring changing economic conditions and increased demands for nontimber resources on the Tongass. This resistance to change has been aided by the existence of an obligation of the federal government -- a long-term contract. When pressed for change on the Tongass, the Forest Service pleads the constraints of the long-term contracts and of ANILCA.

Now, the Tongass faces severe problems that cannot be resolved within the context of the long-term timber sale contracts. Whether it is the dwindling volume of valuable old growth, the stagnation of the forest planning process, or the manifest failure to protect adequately nontimber resources on the Tongass, there is a common culprit in each deficiency and a common impediment to every solution: irrational policies that support the contract holders.

The failure to effect sound management on the Tongass is not a failure of planning. It is a failure to remove the incentives that heavily bias Forest Service decisions toward narrow, timber-first policies. The time has come to strip away the constraints imposed by the contracts and discontinue the inequities (described below) that they have created.

Anti-trust Practices. It is beyond dispute that the long-term contracts have led to anti-trust practices by the two contract holders. Some may argue this is old news. Some may say there is no concrete evidence of further anti-trust practices. However, the damage has been done. The competition is

gone, while the long-term agreements and their beneficiaries remain.

The continuing advantages provided by the highly favorable provisions and preferences given to these companies perpetuate monopolies. For example, the contracts severely impede the ability of Alaska Native corporations to market their pulp-grade logs. Because the two pulp mills have access to subsidized federal timber, it is virtually impossible for the private timber landowners to sell all their lower grade pulp logs within southeast Alaska. These landowners must seek markets for a portion of their pulp logs in British Columbia or leave material on the land. Meanwhile, U.S. taxpayers underwrite huge losses incurred by providing federal timber to the pulp mills.

High Grading. The long-term contracts require the Forest Service to make more timber available to the pulp mills than the firms need. This preference allows the two contract holders to "high grade" the forest, picking and choosing only the best timber for harvest.

Based on Forest Service information (through Fiscal Year 1989), I estimate that the agency spent more than \$200 million (1988 dollars) making timber available that will never be harvested by the contract holders. From 1961 to 1988, the Forest Service used taxpayer dollars to prepare 1.6 billion board feet of timber for the two long-term contracts and then excused the companies' obligations to harvest. In other words, the Forest Service and pulp mills mutually agreed to delete appraised and prepared timber from the contractual timber supply after taxpayer expenditures and after the companies benefitted from lower stumpage prices. The \$200 million figure is significant: it would have been sufficient to finance most of the Tongass timber program for the decade prior to ANILCA.

The financial consequences of high grading are alarming. Most important, however, high grading puts future timber supplies in jeopardy. For the past 30 years, the most profitable trees have been cut at a rate twice as great as what can be sustained over the harvest rotation. Since the forest cannot sustain the logging of more valuable timber, the Forest Service must inevitably require larger taxpayer subsidies in the future. Indeed, dependence on marginal timber will more than double over the next few decades, rendering current Tongass timber spending modest in comparison.

Whatever the quality of the remaining timber base, only increased competition for Tongass timber will insure a more efficient use of the timber resource and reduced public subsidies. Furthermore, other forest users and industries are equally or more dependent on the Tongass' high volume, old-growth timber. Often, highly productive fisheries and wildlife

habitats as well as scenic areas coincide with commercially valuable timber. While the fisheries, tourism, and timber industries may be able to coexist, this result is not possible as long as the majority of the prime old-growth timber is locked up by only one of the region's industries -- an ironic consequence in that the nontimber resource industries pay their own way, asking and receiving no federal taxpayer subsidies.

Timber Pricing. The long-term contracts allow the pulp mills to exploit the Forest Service timber appraisal process. In part, the resulting losses to the taxpayer are caused by the absence of competition. If competitive conditions are not present in either the acquisition of logs or the marketing of final products, the appraisal process can easily result in stumpage rates far below fair market values.

For example, after the anti-trust proceedings initiated by independent timber companies against the pulp mills were concluded, the Forest Service estimated it lost as much as \$80 million because of deliberate manipulations of the timber appraisal process. Unfortunately, the Forest Service only sought \$9 million in damages from the pulp mills and has settled its claim on behalf of the taxpayers for a payment of only \$1 million. That merely a tiny fraction of the total estimated damages will be recovered is caused by poor Forest Service record keeping and the agency's continuing deference to the negotiating clout of the pulp mills under the long-term contracts.

Today, even greater problems may exist with the marketing side of the appraisal process. The difficulty arises in determining the real value of the timber products sold. A fair and objective determination of the market value for timber products is essential to the appraisal process. It is this value that establishes the starting point -- or benchmark -- from which all logging and processing costs are deducted, including a fixed allowance for profit and risk. The difference between the value of the products sold and the deducted costs and profit allowances becomes the basis of the stumpage price paid for federal timber.

Because Alaska Pulp Corporation (a Japanese-owned subsidiary) is part of a multinational firm, it is unclear whether pulp sales are merely internal transactions within a large consortium of owners or an actual "arms length" transactions in a competitive market. Currently, the Forest Service "audits" the books of Japanese firms to determine if product values reported by APC reflect fair market value. To date, the Forest Service treats these transactions as final sales between independent parties. However, there is considerable room for doubt. During my tenure at the Forest Service, I was unable to discover any concrete evidence to support this conclusion.

Moreover, I could never obtain a satisfactory explanation of the basis upon which this determination was made.

Modifying Contract Provisions. The fourth major cost associated with long-term contracts is not as overt as those noted above. Rather, it is the product of the Forest Service's willingness to improve the economics of timber harvesting for the industry and satisfy the demands of the pulp mills in seeming disregard of taxpayer interests. The agency has established a pattern whereby contract modifications are made only if the contract holders find them acceptable.

For example, Louisiana Pacific Ketchikan (LPK) requested and received emergency stumpage rate redetermination under its long-term contract when market conditions began to deteriorate in the mid 1980s. The new rates lowered stumpage prices retroactively for the entire five-year operating period. The redetermination also reduced the amount of stumpage credits the companies could receive as a payment-in-kind for building logging roads over the five-year period. LPK objected; the Forest Service eventually allowed the company to apply all the road credits in dispute against future stumpage prices.

In return for this substantial benefit, the Forest Service obtained a stumpage escalation clause in the Louisiana Pacific contract -- somewhat like emergency rate redetermination in reverse -- and the right to charge utility volume logs against the total timber volume harvested under the contract. This tradeoff was unfair to the government and the taxpayer because the enormous backlog of purchaser road credits now available to LPK will offset any stumpage increases in the foreseeable future. Stated simply, the timber buyer -- LPK -- benefitted both ways: the company received drastically reduced stumpage prices, and the U.S. taxpayer continues to pay for LPK's logging roads.

Alaska Pulp Corporation has done much the same. As protection against sustaining a loss in road credits, APC was allowed to transfer most of its credits from the long-term sale contract to other Tongass timber sales. This allows the company to enjoy much lower stumpage rates and leaves the federal government with the cost of building logging roads. In addition, APC subsequently filed an \$85 million contract dispute claim against the Forest Service for, among other things, not supplying profitable timber. It is apparent that APC interprets the long-term contract as a guarantee of substantial profits, regardless of market conditions, placing the federal taxpayer as the only party at risk in the marketplace.

Effects of the Contracts on ANILCA. The long-term contracts have also had an important impact on legislation for the Tongass. During debate over ANILCA, the Forest Service

encouraged Congress to use provisions of the 1979 Tongass Land Management Plan as a legislative blueprint. However, the assumptions found in the plan and used to support the mandates of ANILCA -- with the aim of maintaining timber jobs in Alaska -- were severely flawed. They were driven by the requirements of the long-term contracts, rather than by market information or timber demand.

The past eight years demonstrate that the timber program objectives in ANILCA have not been realized. The timber program has more than doubled in size, largely because the Forest Service was eager to spend money made available by ANILCA. Yet, the proportion of timber employment in southeast Alaska dependent on the Tongass remains 40 percent below levels prior to ANILCA, despite a recent cyclical upswing in the southeast Alaska timber market. Still, the Forest Service spent about twice what was necessary on the timber program from 1981 to 1986, according to a Government Accounting Office (GAO) audit published last year. Most of those losses can be attributed to expenditures on behalf of the pulp mills and their long-term contracts.

Conclusions

Two lessons are readily apparent from the experience of managing the Tongass National Forest for the benefit of the two pulp mills:

- o First, rising and falling market demand will control employment levels in southeast Alaska, despite long-term contracts and large subsidies to offset deteriorating market conditions.

- o Second, the bureaucratic urge to spend available monies is irresistible, even when conditions do not warrant such outlays.

Routinely, the Forest Service has cut spending for non-timber programs on the Tongass -- by about 30 percent since ANILCA was enacted. The unreasonable emphasis on timber is partly due to too much money freely available for the timber program in the absence of annual scrutiny or accountability.

More than half of the unneeded expenditures identified by GAO were justified by ever changing rules and policy interpretations. For example, during the relatively healthy markets of the early 1980s, the Forest Service prepared and offered timber beyond the 4.5 billion board feet per decade figure in ANILCA. The agency explained that the Act's timber supply mandate was only a floor and that more timber could be supplied if necessary. When markets began to deteriorate, the Forest Service

reinterpreted the timber supply figure as a fixed rate that was legally required. Currently, the agency maintains that the ANILCA mandate is simply a goal that may or may not be attained. However, even under this most recent interpretation, the GAO found that the Tongass Land Management Plan and the ANILCA timber supply mandate were too inflexible to respond to changing economic conditions.

Looking to the future, it seems likely that the Forest Service will use the planning process to reinforce the status quo. The agency has stated that its preferred alternative in the revised Tongass plan will incorporate the existing terms of the 50-year timber sale contracts and the ANILCA timber supply mandate. If this occurs, the range of alternatives presented in the draft plan will be far more limited than what is described in revision documents. In fact, the TIMP revision will produce the same results as the previous plan and ANILCA: excessive logging and road building and the wasting of millions of taxpayer dollars.

Such a prospect is not at all unlikely. The Forest Service has refused to explain adequately the decision criteria that will be used in selecting a preferred alternative, action resulting in public uncertainty as reflected in a recent opinion poll conducted by the Sealaska Corporation based in Juneau. The poll found that southeast Alaska residents generally support the Forest Service planning process but are not convinced that it can produce major changes. Furthermore, a majority of the respondents said they were not given an adequate opportunity to participate in decisions regarding uses on the Tongass. Clearly, the Forest Service must do more than promise change; it must promote an environment that makes change possible.

Finally, the status quo is inconsistent with the needs of a diverse, forest-based economy in southeast Alaska. Commercial fishing and tourism industries provide twice as many local jobs as the timber industry. Yet, Forest Service expenditures for all nontimber programs have normally been less than 15 percent of total annual expenditures. Compelling evidence that the agency intends to continue "business as usual" is found in the proposed Fiscal Year 1990 budget. There, the Forest Service requested more money for the timber program and severe cuts in nontimber programs.

This contrasts sharply with Congressional action in Fiscal Year 1988 and 1989 appropriations. The Fiscal Year 1988 reconciliation measure placed ANILCA's permanent appropriation -- the Tongass Timber Supply Fund -- back on budget for two years, and Congress devised a new, more balanced approach for Tongass spending on timber and nontimber expenditures. For the current Fiscal Year, Congress reduced Tongass timber program spending and substantially increased outlays for nontimber

programs. But left to its own designs, the Forest Service quickly reverted to business as usual for Fiscal Year 1990.

Based on the Sealaska opinion poll, a clear majority of those living in southeast Alaska believe that now is the time to break from the status quo; that management of the Tongass should promote growth in nontimber industries; that commercial fisheries is the most important industry now and in the future; that additional timber companies should be allowed access to the Tongass timber base; and that areas deemed important to subsistence uses, recreation, tourism, and fishing should be removed from the timber base -- even if it means timber jobs may be lost.

I urge Members of the Committee to pass Section 3 and 4 of H.R. 1368 as introduced. I recommend that the Committee amend Section 2 to terminate the long-term contracts. These actions will open the door for full public participation in the forest planning process and allow all Tongass dependent industries to participate in setting the management priorities for the Tongass National Forest. Hopefully, the Forest Service will rise to the challenge when freed of the constraints imposed by long-term contracts and ANILCA.

STATEMENT OF
FRANCES A. HUNT
ON BEHALF OF
THE NATIONAL WILDLIFE FEDERATION

Mr. Chairman, Members of the Subcommittee, on behalf of the National Wildlife Federation, I wish to thank you for the opportunity to testify on H.R. 987, the "Tongass Timber Reform Act." My name is Frances A. Hunt and I am the Forestry Resource Specialist for NWF.

The National Wildlife Federation is the nation's largest conservation-education organization, with more than 5.1 million members and supporters in 51 states and territories. NWF is actively involved in forest management issues. Ending the environmentally destructive activities which are an "unintended consequence" of provisions in the Alaska National Interest Lands Conservation Act (ANILCA) is a priority of our organization.

The Tongass National Forest, America's largest national forest, is of great ecological and economic importance. Nearly 11 million of the Forest's 16.8 million acres are not forested, but the portion that is forested contains one of the world's last old growth temperate rain forests. Over 200 inches of rain falls yearly, creating one of the most distinctive ecosystems in the world. The continuing destruction of the remnant old growth forests of Washington and Oregon makes protection of the Tongass more urgent.

The old growth rain forest is characterized by stands of Sitka spruce, hemlock, and cedar 250 years old and older, and a

productive under-story which supports numerous species of wildlife. The water runoff from the forest feeds the streams, rivers, and estuaries which support millions of fish. This ecosystem is delicately balanced and, if it is destroyed, can never be replaced.

High volume, old growth stands with over 30,000 board feet of timber per acre exist in only about four percent (650,000 acres) of the Tongass, yet it is these important wildlife habitats which are being cut in an ecologically and economically unsound manner. The effects of Tongass timber management on several important species -- the Sitka black-tail deer, brown bear, salmon, and the bald eagle -- are detailed in an appendix to this statement. These wildlife species represent only a small number of the hundreds of species which live on the Tongass, and timber harvesting has different impacts on each one.

To guarantee biological and ecological integrity, these impacts need to be considered when determining harvest levels. The 4.5 billion board feet per decade harvest mandated by ANILCA forces timber harvests from areas where such harvests are detrimental. The time has come to redirect the harvest of timber on the Tongass National Forest and end the resulting degradation of fish and wildlife habitat.

Recent reports published by the General Accounting Office and the Congressional Research Service, as well as the House

Interior Report accompanying H.R. 1516 during the 100th Congress, all present evidence which overwhelmingly supports reform of the ANILCA provisions pertaining to the management of the Tongass National Forest. The GAO study, in particular, reports that the Forest Service has spent \$131 million preparing timber sales not needed to meet current demand. Moreover, timber sales program in the Tongass National Forest lost \$22 million dollars in 1986. I am sure these figures have been brought to your attention repeatedly. Nevertheless, their impact does not fade.

The National Wildlife Federation supports the passage of H.R. 987 to address these concerns and reform management of the Tongass National Forest. H.R. 987 will terminate the environmentally destructive timber harvest levels required by ANILCA on the Tongass National Forest, assure the Tongass is managed in accordance with the National Forest Management Act of 1976 (NFMA), and assure funding in the same manner as other National Forests. We believe the bill will help end the destruction of fish and wildlife populations and habitats in southeast Alaska and help ensure the wise management of the Tongass's natural resources.

H.R. 987 would improve the management of the Tongass National Forest by taking the following positive steps:

Repealing Section 705(a) and thereby returning funding of timber management activities on the Tongass to the annual

appropriations process, while eliminating the 4.5 billion board foot timber supply goal.

Eliminating the exemption for the Tongass from Section 6(k) of NFMA, which requires the identification of lands not suitable for timber production.

Expanding the required review of Tongass management to address the impacts of timber management on wildlife and fisheries habitat.

Requiring the termination of the two 50-year contracts and replacing them with competitive short-term sales.

Designating as wilderness 23 areas with high wildlife, recreation, subsistence, and scientific values.

Repealing Sections 705(a) and 705(d) of ANILCA would allow management of the Tongass National Forest to proceed under the same funding mechanisms, harvest level determinations, and land suitability requirements as every other National Forest. These changes will allow Tongass managers to make forest management decisions that adequately reflect both market conditions and environmental safeguards. Following the passage of H.R. 987, the Forest Service would be able to develop resource management policies for the Tongass National Forest that reflect the Forest's unique ability to provide both commodity and non-commodity resources to southeast Alaska and the nation.

Elimination of the two long-term contracts would also provide both economic and environmental benefits for the region. We believe that terminating these contracts is critically

important to the sound multiple-use management of the Tongass. These contracts have allowed timber companies and the Forest Service to circumvent federal laws designed to ensure multiple-use management and environmental protection of the Tongass. These contracts have also restricted the development of a competitive timber industry in southeast Alaska. There is no justifiable reason for Congress to continue to facilitate destruction of critical old growth forests in this economically damaging fashion.

Although some witnesses have argued that legislation to reform management of the Tongass should not be passed until the Forest's land management plan is revised, we believe that the passage of H.R. 987 will benefit the planning process and improve the quality of the final plan. The amendment of Section 705 and the termination of the two long-term contracts will help give Tongass forest managers the flexibility to manage the forest for all its resources.

Moreover, the passage of these amendments will help address fears that forest management decisions on the Tongass are "rigged," and will not be adequately reexamined during the planning process. Successful forest planning depends on the full participation of the public in the development of land management plans. If the public believes that the agency is basically

unwilling to consider changing current management directions, then full public participation will be unlikely. NWF is very concerned about this reported loss of faith in the process, and we believe that eliminating the unusual legislative and contractual constraints on Tongass management can help restore the credibility of the planning process.

H.R. 987 also seeks to protect 23 critically important areas from the effects of logging and roading. NWF supports wilderness protection for these areas, as they afford fish and wildlife habitat values that must be protected to sustain the resource base for the region's fisheries and tourism industries, and for the subsistence way of life.

In closing, I would like to briefly address an argument that is frequently raised in opposition to the effort to reform management of the Tongass National Forest. The fight to protect the resources of the Tongass is not, as some opponents of reform might suggest, an effort to undercut the economy of the region. Quite to the contrary, NWF believes that the passage of H.R. 987 is vitally important to the economy of southeast Alaska. The commercial fishing industry supports more jobs than any other private employer in the area. Subsistence fishing also feeds and supports much of the native and rural population of southeast Alaska. The fisheries resource must be protected from the adverse impacts of logging.

Southeast Alaska also is benefiting from a growth in tourism. Tourism is the area's fastest growing industry and the only primary industry to show major growth during the 1980's. The number of cruise ships plying southeast Alaska waters increased 47 percent between 1975 and 1983. The Forest Service estimates recreational use of the Tongass grew by 85 percent between 1980 and 1985.

Tourism will suffer in the long run if the Tongass Forest continues to be managed in ways inconsistent with wildlife protection, preservation of water quality and sensitivity to the esthetics of the area.

The Tongass National Forest is a far-too-important and unique natural resource to be squandered. The bill before you today is a first step toward restoring sensibility to the management of the Tongass National Forest. The National Wildlife Federation urges the Subcommittee to recommend the passage of H.R. 987.

Thank you again for the opportunity to present our testimony.

APPENDIX

Sitka Black-tail Deer

Sitka black-tailed deer are the most popular game animal in southeast Alaska, and are an important food source for recreational and subsistence hunters. Deer populations are decreasing because of the logging of high volume (30,000 mbf/acre and over) old-growth stands vital to the winter survival of the deer (ADFG, 1985). The canopy of the old-growth forest catches the heavy winter snowfall creating open vegetation patches on the forest floor which provide forage for the deer. The open canopy of a second-growth forest simply cannot provide cover adequate to allow this forage to exist.

Also, younger trees as well as numerous other species of plants grow in the understory of the old-growth and provide forage for the deer throughout the year. Although forage is abundant immediately after clearcutting, the second-growth forest quickly out-competes other vegetation and leaves little suitable forage in the understory or on the ground.

The clearcutting of old-growth forests, which the timber harvest levels of ANILCA requires, results in the permanent loss of deer habitat. Under the current logging plan, the Alaska Department of Fish and Game estimates there will be a 50 percent

decline in deer populations in three-quarters of the watersheds on the Tongass, with the losses in some watersheds as high as 92 percent (SEACC, 1986).

The timber harvest level on the Tongass must be reduced for the protection of the Sitka black-tailed deer.

Brown Bears

The Tongass contains the greatest concentration of brown bears (grizzlies) anywhere in the nation (The Wilderness Society, 1986). These massive creatures once roamed the western U.S. in large numbers, but now have been reduced to remnant populations in the lower 48 states. In part, disturbances from logging have been blamed for the bear's decline in the lower 48, and we do not want to see the same thing happen in Alaska.

Old-growth forests are essential to the survival of brown bears. Old-growth provides denning sites as well as food for these omnivores. Bears use clearcut sites less than old-growth areas. Clearcuts and roads restrict the bears' natural movements because they require cover for protection from other bears and from man. Road access increases hunter success and opens new populations to hunting pressure. Both legal and illegal hunting of bears increases. Non-hunting man/bear conflicts increase and the usual result is the destruction of the bear.

Logging also degrades the quality of streams on which the bears depend for food (ADFG, 1985). Salmon on their spawning

runs are an important food source for brown bears. The integrity of salmon streams and the old-growth forest must be protected for the brown bears to survive.

Bald Eagle

Southeast Alaska has the highest density and the largest population of breeding bald eagles in North America. Over 10,000 of these spectacular birds live on the Tongass. Bald eagles live primarily in old-growth stands near the water where they have adequate nesting habitat and food. The nest trees are usually old-growth Sitka spruce, and although nest trees and a surrounding buffer are protected from disturbance by state and federal regulations, over half of the 126 variances requested between 1969 and 1983 on the Tongass were granted (ADFG, 1985).

Salmon are also an important component of the bald eagle's diet, and without adequate food reasonably close to its nest both the eagle's survival and reproductive ability are endangered. Under the current management plan, natural populations of eagles will be jeopardized by stream sedimentation caused by logging and by elimination or alteration of 90 percent of the eagle's nesting and perching habitat (The Wilderness Society, 1986). The harvest level must be reduced to protect the bald eagle.

Salmon

Five species of salmon--king, sockeye, coho, pink, and chum--live in the waters in and around the Tongass and are the

primary fish of Alaska's commercial fishing industry. These fish, along with steelhead, cutthroat, and dolly varden char are also important for subsistence and sport fishing. Timber harvest results in the degradation of fish habitat and erodes the \$60 million per year commercial fishing industry of Alaska.

Timber harvesting raises the temperature of the water in streams in the area being cut, a change which can be lethal to juvenile and adult salmon populations. Adverse changes in stream flow also occur. Deficiencies in dissolved oxygen due to more organic matter in the water during timber harvesting also can be lethal to the fish. Stream sedimentation from logging and road construction reduces food supplies and disturbs spawning areas.

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TESTIMONY OF ERIC S. LASCHEVER
BEFORE THE HOUSE SUBCOMMITTEE ON
FORESTS, FAMILY FARMS AND ENERGY
March 15, 1989

Mr. Chairman and Members of the Subcommittee:

My name is Eric S. Laschever. I am the Special Assistant to Governor Steve Cowper for the Tongass National Forest. I want to thank you for the opportunity to present the views of the State of Alaska on H.R. 987 and H.R. 1368.

As you know, the State is a long-standing opponent of the cancellation of the long-term contracts, the creation of substantial additional wilderness areas, and outright repeal of Section 705 of ANILCA. We oppose these measures because of the uncertainty which they would create for the timber industry that relies upon timber from the Tongass National Forest. In addition, we are concerned that the enactment of these measures could disrupt the stability of communities which rely upon this industry. These concerns are documented in prior testimony which I ask be submitted for the record.

Since last fall, when the House of Representatives passed a similar version of this bill, a number of Alaskans, under the auspices of the Southeast Conference have been engaged in an effort to work out a compromise. The Southeast Conference is an organization comprising elected officials and business leaders from the region.

The Conference appointed a committee to try to reach a compromise. The committee consisted of the mayors from Ketchikan, Sitka, Pelican, and Wrangell and a member of the Juneau Assembly. The committee began its deliberations by identifying the interests of the various communities, recognizing that community interests were not always identical to those of any specific industry or other discreet interest group within the community.

The efforts of this group have garnered support from many fishermen, elected officials from large and small communities, and Native leaders. Last week, Governor Cowper announced his support for key components of this compromise and believes that a broad spectrum of the residents of the region are prepared to advocate a balanced and forward-looking approach to management of the National Forest. The State of Alaska believes that an approach of conciliation here in Washington would produce a better outcome than continued confrontation.

I would like to focus the rest of my testimony on some of the key provisions of this compromise.

CONTRACT RENEGOTIATION

The State of Alaska supports renegotiation but not cancellation of the long-term contracts to address concerns which have been raised regarding the effect of the contracts on overall management of the forest. This approach is the approach taken in the measure which this committee and the House passed last year, and is the approach recommended by the Southeast Conference and the Sealaska Corporation, the regional Native corporation established under federal law. We oppose contract cancellation because of the risk that one or both of the pulp mills would close with attendant impacts on the communities which rely upon them. In a survey, commissioned by Sealaska Corporation, only 9 percent of Southeastern Alaska residents favored cancelling the contracts.

PROTECTION OF IMPORTANT FISH AND WILDLIFE HABITAT

The State of Alaska concurs with the Southeast Conference goal of maintaining fisheries-related employment and associated protection of anadromous fish streams. The State also supports permanent legislative protection of a limited number of specific areas which possess important fish and wildlife habitat. This special status would not be wilderness, but would prohibit commercial timber harvesting and associated road building. Other activities such as mining, primitive recreation facilities, water and power developments, and fisheries improvements could be permitted. Access would be less restricted than under wilderness status.

The Southeast Conference has proposed twelve areas for special attention, based on the input of affected communities. The State recognizes the high value of these areas as fish and wildlife habitat, and the importance of many of them to the fishing and tourism industries, subsistence users, and a number of communities in Southeast Alaska.

We have not made a final decision about each area and the boundaries of each area; however, the concept and overall impact on the timber base is workable. Permanent non-wilderness protection of a limited number of areas appears to be favored by the majority of residents of Southeast Alaska. In the Sealaska survey, seventy-six percent favored such protection while sixty percent did not favor additional wilderness.

SECTION 705 OF ANILCA

Perhaps the most difficult issue to resolve has been the matter of the requirement in ANILCA that the Secretary provide 4.5 billion board feet of timber per decade to the dependent industry.

The Southeast Conference has proposed language which authorizes the Secretary to provide "up to 4.5 billion board feet per decade" subject to market factors and multiple use concerns.

The above approaches increase the flexibility of the Secretary to adjust the timber made available to the industry for the decade to take into account market conditions and other natural resource values. The State supports Secretarial discretion on this matter.

With regard to funding, the State believes that funds will continue to be required to conduct intensive management activities such as pre-commercial thinning of second-growth stands. The State supports sufficient funding to accomplish this task.

ECONOMIC DIVERSIFICATION

The State of Alaska is also reviewing a regional economic development proposal offered by the Sealaska Corporation. With regard to this proposal, the State agrees with Sealaska's central message that we should use the pending legislation as an opportunity to strengthen the diversity of the regional economy. The State endorses the following concepts outlined in the corporation's proposal: the need for regional transportation coordination, fisheries enhancement, community stabilization, and promotion of recreation and tourism including adequate funding by the Forest Service for recreational facilities and trails.

In addition, the Southeast Conference has proposed an economic diversification fund which would be used to strengthen the Southeast economy. This proposal could be adapted to finance a number of the elements of the Sealaska proposal such as fisheries enhancement. We strongly support this concept and look forward to working with interested members of the committee to develop the idea further.

The State recognizes that in the legislative process it is often necessary to stake out a bargaining position to retain room for negotiations with the other house. The State's position is not such a position. We offer this compromise, not as a new starting point for negotiations, but as our concept of where the legislation will settle when the negotiations have come to an end.

To conclude, the State of Alaska is strongly opposed to the legislation before you today. However, we believe that a bill which contained the key elements outlined in our testimony would address the concerns which have been raised during the last three years of deliberations.

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

SOUTHEAST REGIONAL OFFICE

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9 March 1989

STATEMENT OF DAVID A. ANDERSON, ALASKA DEPARTMENT OF FISH AND GAME, BEFORE THE FORESTS, FAMILY FARMS, AND ENERGY SUBCOMMITTEE OF THE U.S. HOUSE AGRICULTURE COMMITTEE, PERTAINING TO TONGASS TIMBER REFORM LEGISLATION

My name is Dr. David A. Anderson. I am the Southeast Regional Supervisor for the Division of Wildlife Conservation, Alaska Department of Fish and Game, Juneau. I hold a M.Sc degree in mathematics and a Ph.D in wildlife science from the College of Forest Resources at the University of Washington. My Ph.D dissertation involved the ecology of black-tailed deer in intensively managed forests. I also served one year as assistant research professor conducting work on deer and elk in intensively managed forests in the Pacific Northwest. I have been with the Alaska Department of Fish and Game for over seven years, and I currently supervise all state wildlife research and management programs on the Tongass National Forest. I am here today at the request of the committee to testify on behalf of the Alaska Department of Fish and Game on technical issues related to the impacts of current forest management practices on wildlife and the habitat upon which it depends.

I would like to begin by noting that the Tongass National Forest contains the last major expanses of pristine temperate rain forest in North America. The Tongass supports a diversity of fish and wildlife resources including Sitka black-tailed deer, marten, river otters, mountain goats, and moose, as well as the largest population of

STATEMENT OF DR. DAVID A. ANDERSON PAGE 2

bald eagles found anywhere on earth. Brown bears occur in abundance, and several unique subspecies of small mammals such as the Prince of Wales flying squirrel contribute to species richness and diversity. Abundant salmon streams provide food for numerous carnivores, and the remote wilderness character of much of the region provides refugia from which harvested wildlife populations can be replenished.

It has been suggested that current forest management practices on the Tongass do not place wildlife at risk, because only a very small fraction of the entire land base will ever be logged. Although it is true that most of the Tongass land base will never be logged, it is important to recognize that the most important wildlife habitats occur in the comparatively rare productive high-volume stands that are also of major importance for timber production. Two-thirds of the Tongass is rock, ice, scrub forest, or alpine tundra. The remaining one-third is classified as commercial forest land. Of this, only 4 percent of the land base (672,000 acres) is classified as high volume. This means at least 30,000 board feet per acre. Finally, less than 1 percent of the entire land base (114,000 acres) exists in the highest volume class (over 50,000 board feet per acre).

What does all this have to do with wildlife and biological diversity? As is the case virtually everywhere on earth, the most productive sites for timber or agriculture also have high potential for wildlife production. The Tongass is no exception. The high volume stands on low elevation uplands or in river and stream bottoms where soils are productive, are the focus of the tradeoff between timber production and wildlife. It is these stands that provide critical winter habitat for deer, as well as life history requisites for other species of wildlife, such as mountain goats, furbearers, brown bears, cavity-dependent birds, and numerous invertebrates; and it is these stands that are of primary interest to the timber industry. Between 1980 and 1986 inclusive, the

STATEMENT OF DR. DAVID A. ANDERSON PAGE 3

average volume per acre harvested from the Tongass exceeded 54,000 board feet. Data had not been analyzed for 1987 and 1988 at the time of writing. Fifty percent of the highest volume stands (those in excess of 50,000 board feet per acre) have already been harvested since 1950, and of the remainder, 50 percent will be logged in the next 40 years under the current schedule.

It is a commonly-held view, and understandably so, that clearcut logging is good for deer. Deer populations are now very high in parts of southeastern Alaska. And deer populations flourish in the Pacific Northwest in areas where pristine forest is virtually absent. Despite these observations, our research indicates that current management direction on the Tongass will reduce deer numbers over time. To understand why, we need to focus on two things: snow, and development of the forest canopy or overstory. High volume old growth on low-elevation sites is unique among forest types because it intercepts snow and provides abundant forage plants. Conversely, second-growth forests which replace these stands are dark, relatively devoid of forage, intercept less snow, and are of little value to deer and other old-growth dependent species.

In the intensively managed forests of the Pacific Northwest, snowfall does not remotely approach that of Southeast Alaska. Even so, in the rare years of heavy snow in Washington and Oregon, such as those occurring in the late 1940's and early 1950's, catastrophic deer die-offs occurred. However, in general, where most of the habitat is already second growth (e.g. western Washington), clearcut logging opens up the forest canopy and releases a profusion of deer food plants until canopy closure occurs 10 or 20 years down the line.

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In Southeast Alaska, we have not had a really severe winter in about 17 years. That is a piece of good luck. Also, much of the timber harvest has occurred in this time frame. These events combine to create the impression that logging has been good for deer. As canopy closure begins to occur, however, logged areas will become dark, devoid of forage, and nearly useless to deer for at least 200 years when old-growth conditions begin to develop once again. And when a severe winter returns, clearcuts will be buried, and deer will seek refuge in the remaining high-volume winter range where snow accumulation is low and forage abundant.

The Alaska Department of Fish and Game predicts that under current harvest schedules and long-term average weather patterns, deer would decline by 50 to 75 percent in over half of the watersheds scheduled for logging in the next 100 years. Four hundred sixty one VCUs (roughly equivalent to watersheds) would be entered. Additionally, 191 VCUs support deer and would not be entered. Many of these, such as the 46 VCUs on eastern Revilla Island, have low deer numbers. Habitat models developed jointly by ADFG and the Forest Service for the TLMP revision predict similar declines as a result of timber harvesting in important winter ranges, and indicate that current and future human demands for deer would not be met in many Southeast Alaska communities.

I have used deer as an example. Problems also exist with other species such as brown bears who rely heavily on river and stream-bottom habitat for foraging and cover. Roading, increased human activity, and improper garbage handling and disposal are inimical to the welfare of these large carnivores.

The old-growth forest of Southeast Alaska supports a unique and still largely pristine fauna. This forest habitat is nonrenewable on a 100-year rotation. That is, old-

STATEMENT OF DR. DAVID A. ANDERSON PAGE 5

growth conditions require centuries to develop, and there is little or no evidence that old-growth conditions can be recreated through intensive management of second growth. In the future, wildlife diversity and abundance in Southeast Alaska will depend on the extent to which representative high-quality habitat is retained. It is generally not possible to maximize wildlife production and timber production on the same acre of ground. .

(Attachments follow:)

PHOTO CAPTIONS

TONGASS NATIONAL FOREST, ALASKA

Photo A. High-volume old-growth forest. This uneven-aged forest includes old, large-diameter Sitka spruce and western hemlock trees which are found on productive, low-elevation sites. The upper canopy of this forest is broken and multi-layered. This allows penetration of sunlight resulting in a diverse and productive forest-floor plant community providing food for deer and other wildlife. The canopy of this forest intercepts sufficient snow during winter to provide low-snow or snow-free feeding sites for deer. High-volume old growth (greater than 30,000 board feet per acre) is scarce in southeast Alaska, making up only 4% of the entire land base of the Tongass Forest.

Photo B. Second-growth forest. This is an even-aged second-growth stand created by clearcutting over 50 years ago. The trees are even-aged, evenly spaced, and the thick canopy of branches blocks out most sunlight. Because little sunlight reaches the forest floor, few green plants are capable of growing there. The result is a relatively homogeneous, sterile habitat for most wildlife species. Clearcuts develop into dense second-growth stands in about 25 years after cutting and remain relatively poor wildlife habitat for well over a century.

Photo C. Clearcuts on the Tongass National Forest. This photo is typical of clearcuts harvested during the late 1950's through early 1970's and demonstrates the emphasis on cutting the rare high-volume stands located on productive sites at low elevations. When high-volume old growth (the best winter deer habitat) is clearcut it is unusable for deer during winter snow periods.

Photo D. Tongass clearcuts with deep snow. This area on northeastern Chichagof Island was clearcut during 1988. The photo was taken during mid-winter of 1989. Approximately 2 to 3 feet of snow covered these clearcuts making them unusable by deer. The Alaska Department of Fish and Game predicts major winter mortality of deer in this area as a result of deep winter snow conditions compounded by loss of critical winter habitat.

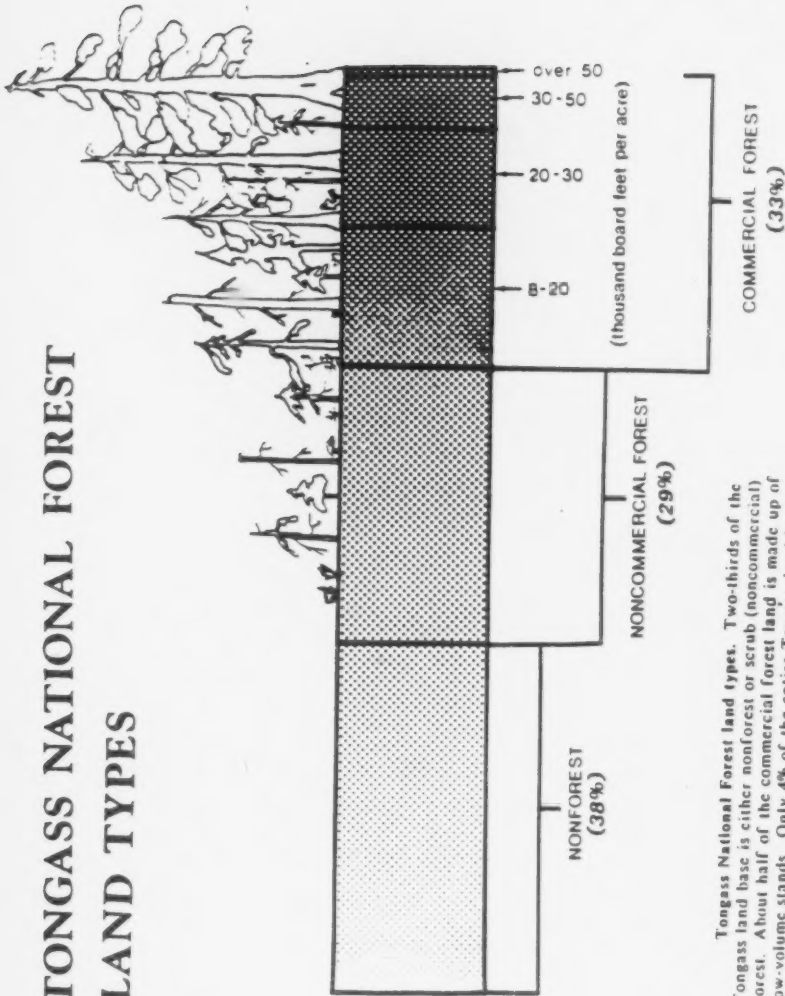
Photos E. 1989 winter snow conditions on the Tongass. These photos, taken during mid-winter 1989 on eastern Baranof Island, demonstrate the deep snow conditions which varied from 2 to over 8 feet near sea level.

Photo F. Sitka black-tailed deer in deep snow. Snow rapidly accumulates in forest openings even at sea level. When snow depths exceed 1 foot for prolonged periods, food is buried and unavailable to deer, movement becomes difficult, and winter deer mortality is high.

Photo G. High-volume old growth is critical winter deer habitat. The tall broad canopy of this high-volume old-growth stand intercepts significant amounts of snow resulting in much lower snow depths on the forest floor than in adjacent non-forest or scrub-forest areas.

(The photographs are held in the committee files.)

TONGASS NATIONAL FOREST LAND TYPES



Tongass National Forest land types. Two-thirds of the Tongass land base is either nonforest or scrub (noncommercial) forest. About half of the commercial forest land is made up of low-volume stands. Only 4% of the entire Tongass land base is composed of high-volume old growth (stands greater than 30,000 board feet per acre). Though the relatively rare high-volume old growth represents some of the most valuable wildlife and fish habitat, it is also most highly sought after by the timber industry.

(Additional attachments are held in the committee files.)

STATEMENT OF
GEORGE M. LEONARD, ASSOCIATE CHIEF
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the
Subcommittee on Forests, Family Farms and Energy
Committee on Agriculture
United States House of Representatives

To review management of the Tongass National Forest

March 15, 1989

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to provide information for your review of the management of the Tongass National Forest. With me today is Mike Barton, Regional Forester for Alaska.

First, I would like to describe the management situation on the Tongass National Forest.

Mr. Chairman, there is a perception among some people that the timber stands of the Tongass National Forest are fragile ecosystems on the boundary of tree growth. That perception is wrong. The commercial timberlands on the Tongass are among the most productive in the world, significantly more productive than the timberlands of Europe which have been managed for timber production for centuries. The warm waters of the Japanese Current provide the lower elevation lands with plentiful moisture and long growing seasons. Natural regeneration following harvest is abundant and fast-growing. The forest lands are favorably located with ready access to water transportation and thus world markets.

Tongass timber is particularly well-placed to be competitive in the fast-growing Pacific Rim market. By almost any measure, the long-term outlook for future demand for Southeast Alaska timber is favorable.

Allegations that the harvest of timber on the Tongass National Forest is harming fisheries and wildlife habitat are exaggerated. Special efforts are made to protect streams and water quality. Although there has been a decrease in the commercial salmon harvest the last two years, commercial harvests have been well above average during the past few years. Harvest levels for game have also increased substantially since 1980. Positive changes have occurred in indirect and induced employment accruing to natural resource uses in Southeast Alaska.

In 1980, as ANILCA passed, the total volume harvested from the Tongass National Forest exceeded 450 million board feet. During the next 5 years, the harvested volume declined, reaching a low of less than 250 million board feet in Fiscal Year 1985. For the last three fiscal years, the harvest level has increased. In Fiscal Year 1988, the volume harvested was 396 million board feet.

Wood products from timber harvested on the Tongass occupy an important position in the Pacific Rim market and contribute to a more favorable balance of trade. Clear Sitka spruce and Alaska yellow cedar are sold to musical instrument and speciality building industries in Japan and other countries. Mills in Sitka and Ketchikan produce about 35 percent of the United States' dissolving pulp exports which are used to make rayon and other products. The Tongass National Forest will continue to play an important role in the production of forest

products for world markets. Although the product mix and end users may change over time, we anticipate that markets will continue to expand.

Using National Forest Management Act planning procedures, we have begun a revision of the 1979 Tongass Land Management Plan. We will consider a broad range of resource management options in the preparation of this plan. As with the first Tongass Land Management Plan, the public is actively involved. We anticipate that a draft revised Forest Plan will be available late this year for public review and comment.

New resource inventories for timber, soils, streams, wildlife, subsistence, and fisheries have been or are being completed. Studies relating to projected demands for timber, fish, and wildlife are also underway. New research results will also be incorporated. Based on this new information, the draft plan will describe and evaluate alternative ways to manage all the resources of the Tongass -- fish, wildlife, water, recreation, subsistence, as well as timber.

We recognize that Section 705(a) of ANILCA presently requires us to maintain the timber supply from the Tongass National Forest at a rate of 4.5 billion board feet per decade. However, this requirement does not restrict us from examining other alternative timber supply levels during the revision process for the Tongass Plan. We, in fact, are considering a full range of alternative management strategies. If, as a result of our resource analysis and review of public comment, we determine that an alternative not consistent with the goal of 4.5 billion board feet per decade is appropriate, we will recommend that the current statutory direction be modified.

We believe that any major change in the present statutory direction for the management of the Tongass is premature and can best be addressed after the draft revised Forest Plan is available to the Congress and the general public.

Termination of long-term timber sale contracts and a moratorium on timber sales and harvest, as would be required by some legislation under consideration in the 101st Congress, could precipitate substantial unnecessary economic dislocations in Southeast Alaska. Today, the timber industry generates the largest total employment and earnings of any natural resource-based industry in Southeast Alaska. Disruption of local economies and communities can be avoided if we proceed in a more deliberate fashion. In addition, considerable compensation would be required to terminate long-term timber sale contracts in order to avoid an unconstitutional legislative taking.

Mr. Chairman, H.R. 1368, which you and Congressman Morrison introduced on March 9, addresses many complex issues. These include the requirement that the Secretary take direct action to amend the Tongass long-term timber contracts and/or negotiate amendments with the holders of such contracts. The amendments would be undertaken to achieve six broad goals related to such complex issues as stumpage rates, competition within the timber industry, and harvesting of high-volume old growth.

We have not had sufficient time to thoroughly review and analyze the effects and costs of H.R. 1368. Therefore, the Administration is not prepared today to make a recommendation regarding the enactment of the bill at this time. It does appear that the bill is consistent with our objectives in regard to

renegotiation of the long-term timber sale contracts. However, we will carefully analyze H.R. 1368 within the next 30 days and provide you with a report outlining our views on the issues which the bill addresses.

In conclusion, we are doing our best to carry out congressional direction in fulfilling our land stewardship responsibilities on the Tongass National Forest. We believe that any major statutory change would be premature at this time. We are only 10 months from completion of the draft revision of the Tongass Land and Resource Management Plan. The revision will provide the public and Congress with updated, comprehensive information and analyses of resources, markets, and the perspective of different publics. We urge the Congress to wait for information developed through the Forest Plan revision process before considering major statutory changes as currently proposed in some of the legislation now before the Congress.

Mr. Barton and I would be happy to answer your questions or provide any additional information you may desire.



National Audubon Society

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STATEMENT OF BROCK EVANS
VICE PRESIDENT FOR NATIONAL ISSUES
NATIONAL AUDUBON SOCIETY
SUBMITTED FOR THE RECORD
BEFORE THE FORESTS, FAMILY FARMS AND ENERGY SUBCOMMITTEE
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
U.S. HOUSE OF REPRESENTATIVES
REGARDING H.R. 1368 - THE 'TONGASS TIMBER MANAGEMENT ACT'

MARCH 15, 1989

Thank you very much for the opportunity to submit this testimony on behalf of the National Audubon Society. As you know, the Society is one of the nation's largest environmental organizations. It is on behalf of our 550,000 members, organized into over 500 chapters across the nation -- including three chapters in the state of Alaska -- that I submit this testimony and request it be made a part of the record for the March 15, 1989 hearing.

The National Audubon Society has participated vigorously in the many efforts of the American people to protect the superb wilderness, scenic, and wildlife treasures of Alaska. Our individual members and leaders were active in the creation of some of the early Alaska National Parks and Wildlife Refuges, and we were a major part of the Alaska Coalition, which sparked the drive to secure passage of the Alaska National Interest Lands Conservation Act of 1980. We maintain a full time office in the state, and thousands of our members have come to know firsthand the glory, beauty, and richness of the Alaskan wilderness.

It is against that background of long involvement and deep concern for the future of these resources that we have given strong support to H.R. 987, the Tongass Timber Reform Act, introduced by Representative Bob Mrazek.

The Tongass Timber Management Act, H.R. 1368, is a good start toward urgently needed reform in the Tongass National Forest. We support strengthening amendments that would:

- terminate the two fifty-year contracts and replace them with competitively bid, short-term sales as used on all other national forests;
- protect key fish and wildlife areas as wilderness.

The main portion of my testimony will explain our strong support for Mr. Mrazek's bill, H.R. 987.

The Tongass Timber Reform Act would repeal Section 705(a) of the Alaska National Interest Lands Conservation Act (ANILCA), require the Forest Service to replace the two long-term timber contracts on the Tongass with short term timber sales, and designate as wilderness 23 areas of great importance to wildlife, fish, and other resource users.

Section 705(a) was inserted by the Senate into ANILCA at the very last stages of negotiation, on a "take it or leave it" basis, without hearings and with no chance for public input. Contrary to what may have been said, Mr. Chairman, this was a "deal" that we opposed at the time, and have continued to oppose. That is why we favor repeal of Section 705(a).

As other witnesses have pointed out to you, Section 705(a), along with the 50-year contracts, essentially commits nearly all of the remaining unprotected old growth virgin forest of the Tongass National Forest in Southeast Alaska to the primary single use of logging -- regardless of the wildlife and fisheries values, regardless of the recreation and tourism potential, regardless of the needs and wishes of local residents, regardless of the long term future of Southeast Alaska, and regardless of the cost to the U.S. Treasury -- the superb virgin rain forests of the Alaska panhandle are to be logged because of these provisions.

Why is this so? It is because Section 705(a) directs the U.S. Forest Service to make available 4.5 billion board feet from the Tongass National Forest per decade, and establishes a permanent appropriation, entirely outside of the normal budgeting and appropriations process of the Congress, to accomplish this goal.

After eight years of operation, we have now had an opportunity to see the effects of this legislation: hundreds of miles of new logging roads have been pushed through the forests and across the land, even into the remotest, most scenic, and wildlife rich bays and coves, tens of thousands of acres of virgin old growth forest have been decimated due to the incredible subsidy granted by Section 705(a); crucial habitat for the Sitka black-tailed deer, the grizzly bear, and the murrelet -- all of which, in whole or in part, depend on the maintenance of a viable forest ecosystem for survival -- has been destroyed for our lifetimes, and beyond. Indeed, the resulting destruction of areas once highly valued for other uses has been so great that there is a rising chorus of protest among residents of Southeast Alaska itself -- the very region alleged to benefit by this provision.

To date, the key provisions of Section 705(a) are opposed by 16 Southeast Alaska communities, the region's major commercial fishing organizations, and all environmental organizations. The Alaska Department of Fish and Game (ADFG), the foremost guardian of fish and wildlife in the Tongass National Forest, has actively protested numerous timber sales and road building activities in key drainages, which were spawned by the implementation of Section 705(a).

Compounding the outright environmental damage and destruction of the local way of life for many Southeast Alaskans is the fact that this is an enormously expensive and wasteful program for the national government. As others, many of whom are not "environmentalists" I might add, will explain at some length during the course of these hearings, the provisions of Section 705(a) have resulted in the needless expenditure of millions of federal dollars for the Forest Service's massive timber program.

Furthermore, mandates such as the 4.5 billion board foot supply requirement in Section 705 tie the hands of the Forest Service. When asked by the Senate Energy Committee if it advocated legislating harvest goals such as the one in Section 705 as a standard management tool for the agency, the Forest Service responded: "As a general rule, no. Legislation with specific management direction reduces our flexibility to respond to changing market conditions." (S. Rpt. 100-548, page 487).

To put it succinctly, we believe that the case is overwhelming in favor of repeal of Section 705(a). Its major purpose was to protect the timber economy in Southeast Alaska, especially the jobs of the individuals who depended on it. But this has not worked, in spite of the enormous subsidy: employment has dropped since implementation of Section 705(a): from 2,700 in 1981 to only 1420, in 1986, according to the U.S. General Accounting Office (GAO). The GAO comments: "In retrospect, the Forest Service has not needed the added investment strategy to meet reduced demand for Tongass timber...from 1982 through 1986 the Forest Service could have met total demand solely through its normal investment program."

The National Audubon Society believes that it is time to face up to the mistakes made, with all good intentions, by the Forest Service in the past. The historic source of the degradation taking place on the Tongass is to be found in the long-term contracts which the Forest Service established with the present two pulp mills back in the 1950's. At that time and through that vehicle, the Forest Service essentially allocated the southern and most of the northern portion of the Tongass to single-use logging. While the agency professed adherence to multiple use principles, by the mid-1960s it was apparent that an old growth "high grading" operation of massive proportions was underway.

This was confirmed in July 1968 when, in a personal conversation, then-Supervisor Howard Johnson said to me that the Forest Service goal was an allowable cut of 800 million board feet per year, and that they were very nearly "there." This was even without the presence of the extremely controversial Admiralty Island logging and milling operation proposed and being actively promoted by the Agency at that time.

If the Forest Service had succeeded in its efforts to allocate the forest resource by letting three long-term contracts instead of the present two, there would be almost nothing of wildlife or recreation value to talk about today, so great were the overestimates of good timber actually out there. Now, with the sad vision of history and hindsight, we have come to realize that even two such contracts are two too many; that there was far more of wildlife value destroyed and far less really valuable timber available than was ever foreseen in those wishful-thinking days.

And it is for this reason that the National Audubon Society has long believed that environmentally-responsible management of the Tongass's unparalleled natural resources is impossible as long as these contracts remain in place.

It is time to admit that the contracts, though offered with all good intentions, were a mistake. At the same time they drain the U.S. treasury, they continue to destroy one of the most beautiful and spectacular environments anywhere on earth.

For an unprecedented 50 years, they have given the two pulp mills, Ketchikan Pulp Company and the Japanese-owned Alaska Pulp Corporation, control over two-thirds of the commercial forest land that exists on the Tongass.

Many of the finest stands of old-growth temperate rain forest remaining in North America are found within these areas. Extensive stands of large, old-growth forest are absolutely essential to wildlife and fish, and to the non-timber industries -- commercial fishing, recreation, and tourism -- that rely on these natural resources. But under the terms of the contracts, nearly all of this rare forest is dedicated to logging, regardless of these other values.

The contracts directly hinder the Forest Service's ability to manage the Tongass as it should be managed: for multiple use. While Audubon last year supported the intentions behind the contract renegotiation required by H.R. 1516, experience has shown that past efforts to modify them have largely

failed. The contracts predate almost all of the national guidelines which direct modern Forest Service management, including most notably, the National Forest Management Act of 1976. Though Congress has ordered the Forest Service to comply with the provisions of this legislation in the Tongass, the Forest Service claims it cannot because of the 50-year contracts. Given its rich wildlife habitat and scenic beauty, the Tongass should be the first to be in compliance with modern environmental laws; certainly not the last, as it now is.

Even more absurdly, the contracts require the Forest Service and the U.S. government to spend millions of dollars to help the two mills lay waste to an unparalleled ecosystem. In addition to building hundreds of miles of logging roads for the mills, the Forest Service is obligated to give them timber at prices far below Forest Service costs and even further below market values. Besides undervaluing rare old-growth trees, the below cost sales necessitated by the contracts ensure that other forest values are not taken into account.

The 50-year contracts and Section 705 of ANILCA have failed to serve their purpose of providing for a stable regional economy in southeast Alaska. Instead, they detract from employment in larger regional industries like commercial fishing and tourism, endanger wildlife that has the Tongass as one of its last strongholds, and gradually destroy a national treasure. These are strong words, Mr. Chairman--but no stronger than the sad reality out there on the ground.

In 1987, at hearings on this same subject before the House Interior Committee, we pointed out that clearcutting replaces diverse, uneven-aged stands having high habitat value, with clearcuts and even-aged second-growth stands of low diversity and low value for many wildlife species. Based on present knowledge, it is not possible to significantly enhance second-growth forests for wildlife. Two hundred to 300 years are needed for second-growth forests to naturally acquire the characteristics of old-growth forests, which are essentially a nonrenewable resource.

In Southeast Alaska, old-growth forests provide critical winter habitat for Sitka black-tailed deer. Under current logging plans, about half of this habitat will be lost forever by the end of the first 100-year rotation or cutting cycle. As a result, deer populations will be severely reduced.

Another wildlife species of national concern and importance is the grizzly bear. While millions of taxpayer dollars are being spent to save the few hundred grizzlies that remain in the American West, millions are being spent to destroy grizzly forest habitat in Southeast Alaska. Recent studies by the Alaska Department of Fish and Game show that the bears utilize old-growth forest stands for escape cover, feeding, and denning. Road building divides up grizzly bear habitat and bisects seasonal migration corridors. Studies in other parts of the country show that grizzly bears have learned to avoid roads since that is where they are commonly shot. They are also shot at or near logging camps. Scientists estimate that bears killed in defense of life and property around logging camps in Southeast Alaska could make up as much as 10 percent of the reported kill. John Craighead, in his nationally renowned studies of grizzly bears in the West, suggested that human-induced mortality associated with logging was one of the major causes of grizzly population declines.

To sum up, Section 705(a) and the contracts have certainly ruined many parts of the Tongass forest, one of the most beautiful and spectacular environments anywhere on earth. Uninhabited islands and drainages have been opened up; rivers have been silted; crucial habitat for important animal and bird species has been eliminated; wilderness has been destroyed.

But there is something else. Southeast Alaska is probably the least known part of that magnificent state, and yet, in the opinion of many -- certainly myself -- it is probably the most beautiful. About the size of the state of Indiana, its spectacular combination of high peaks and glaciers literally rising out of the sea, its abundance of sparkling fish-filled rivers, its awesome populations of eagles and bears, its superb remaining carpet of dark green forests -- all amount to one of the great scenic, wilderness, and wildlife treasures of this entire planet. It is clear that the economic future of Southeast Alaska lies not in heavily subsidized timber operations which continue to lose money and jobs. The future rather is in tourism and the fishing industry, and a timber industry geared to a local, not a world, economy.

We believe it is time to face up to the facts and admit that the Forest Service made a great mistake by soliciting and entering into these contracts some three decades ago.

But this mistake can be undone. And now, as we are exploring the whole question of future directions for the Tongass National Forest, it is time to begin to walk down a new path for Southeast Alaska, one which will not require such waste of money and environmental damage.

This new path must include protection for many of the key old growth drainages that remain. Audubon supports a designation of wilderness for the 23 areas identified in the Tongass Timber Reform Act.

If all 23 areas are protected permanently, the scheduled timber base will be reduced only 11%--from 450 million board feet per year to 400 million board feet per year. The average amount of timber sold from the Tongass from 1980 to 1988 was 285 million board feet per year. Thus, full protection for all 23 areas would still leave an average surplus of 115 million board feet per year.

In the end, repeal of Section 705(a), coupled with a termination of the remaining 50 year contracts, and protection of additional areas, will go a long way toward restoring the economic, social, and environmental equilibrium in Southeast Alaska. This is one of the last strongholds of the grizzly bear. It is the last stronghold of our national emblem, the bald eagle. It is our last opportunity to provide permanent protection to the finest old growth coastal rain forest in the country. The Tongass National Forest contains our most superlative wilderness, some of our grandest scenic spectacles, and offers a wonderful way of life and hopes of a prosperous future to those who take advantage of its abundant renewable, truly renewable, natural resources.

Let us take action--now--to realize the full promise of Southeast Alaska. This promise lies not in the bankrupt provisions of Section 705 which only damage or destroy the region's recreation, fisheries, wildlife and scenery, for a dubious benefit to a declining pulp industry. While the bill being scrutinized by this committee has promise as a starting place it simply does not go far enough. We urge you to strengthen H.R. 1368 by adding amendments designed to restore balance and equilibrium to the management of the Tongass National Forest.



UNITED FISHERMEN OF ALASKA

211 4th Street, Suite 106
Juneau, AK 99801
907-586-2820

March 13, 1989

To the House Interior Committee

United Fishermen of Alaska is a private non-profit statewide organization of 23 fishermen's organizations, including marketing and aquaculture associations and specific gear groups. Including our individual members UFA represents over 17,000 Alaska commercial fishermen. UFA is active before the Alaska State Legislature, state agencies, the U.S. Congress and federal agencies on behalf of its members.

Seven of our member groups, Alaska Trollers Association, United Southeast Alaska Gillnetters, Southeast Alaska Selnors Association, Petersburg Vessel Owners Association, Seafood Producers Cooperative, and the Northern and Southern Southeast Regional Aquaculture Associations, are directly affected by activities relating to the management of the Tongass National Forest. It is our privilege and responsibility to present to the committee our concerns regarding current Tongass management.

In southeast Alaska the majority of the important salmon spawning and rearing areas are located in the Tongass. We feel very strongly that key fisheries habitat areas must be afforded permanent protection by law (Legislative LUD II) from logging and related activities. Multiple use planning for the Tongass must address the cumulative impacts that logging activities are having on our fisheries resources. The National Marine Fisheries Service Policy for Riparian Habitat Protection (1988) calls for mandatory buffer zones of riparian vegetation; a minimum of 30 meters (100 feet) on each side of all anadromous fish streams. The U.S. Forest Service does not consider this policy when laying out timber sales. It is this lack of attention to other multiple use needs that is the major problem in the Tongass today.

In order for the proper protections to be implemented for the commercial fishing industry, the obstacles of mandated cut and long-term contracts must be overcome. All too often decisions to enter a watershed with tremendous renewable fisheries values is made by the Forest Service despite our industry's strident objections. When pressed to explain their actions, the Forest Service answer is that they have a mandate to offer 4.5 billion board feet per decade. Another excuse offered is their interpretation of the 50 year

contracts with the pulp mills; which in their view suggests a large percentage of high volume, old growth timber at a low cost, are required so mills can be viable in all market conditions. In many instances these decisions have led to a large public outcry, and often ended up in litigation. If true multiple use planning is going to work, constraints such as the 4.5 billion board feet mandate and the terms of the outdated long-term contracts must be substantially altered.

Furthermore, the contracts must be renegotiated to reflect free market realities. As R. Neil Sampson, Executive Vice President of the American Forestry Association, said in testimony before the House, dictating the management of any national forest by federal legislation is doomed to failure. The furor of the Tongass debate proves that.

With regard to the Timber Supply Fund we feel that the USFS in southeast Alaska should be fully funded to 1) build roads that access some of the timber stands that are not in sensitive areas, 2) have fisheries biologists in the field to influence logging activities and 3) continue research into ways that logging can occur with minimal impacts on salmon habitat. In other words, to do a good job of managing the forest. To the extent that the supply fund meets these goals we would hope to see it continue. However, we are aware that efforts are ongoing to divert some of these funds into an economic diversification loan program that could benefit increased production of commercial fishing. We support these efforts to promote economic diversification.

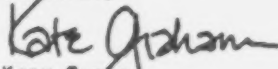
The total ex-vessel value earnings contributed by the commercial salmon fishing industry to the southeast region between 1976 and 1986 was \$380 million. These are only the dollars paid to the fishermen and don't take into account the value of the seafood processing industry and its employment benefits, nor does it reflect the benefits as those dollars trickle through the rest of the economy. We are clearly a major contributor to our region's economy and a renewable resource industry that has been a stalwart of the regional economy since the turn of the century. With good stewardship and protection of spawning habitat while timber is being harvested, we will continue to be a healthy industry into the 21st century and beyond. This is supported by a recent survey (see reference below) that showed a majority of southeast residents believe commercial fishing to be the 99th important industry to the future.

The timber industry is also an important source of renewable resource income in southeast Alaska and always will be. Our interest is not to put our friends and neighbors out of work but rather we want the Forest Service to provide adequate protection of fish rearing and spawning habitat which is critical to the survival of the fishing industry.

The Tongass debate has been long and difficult for those of us who live here. However, in spite of the very cold winter we are experiencing this year, there are signs of a break in the ice between the participants. Recent efforts to arrive at a consensus position by the Southeast Conference met with some success and the group deserves a great deal of credit for their attempts. Also, the results of the Tongass Timber Reform Act Survey conducted by Decision Sciences, Inc., at the request of the Sealaska Corporation showed that a majority of southeast residents support changes in the current management practices in the Tongass and feel that the time is now to make those changes.

In closing, United Fishermen of Alaska is well aware of the time and effort the House Interior Committee has put into the Tongass issue and we appreciate the consideration you have given to what we feel is one of our country's greatest resources.

Sincerely,



Kate Graham
Executive Director



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April 4, 1989

Honorable Harold L. Vollmer
Subcommittee on Forests, Family
Farms, and Energy
1336 Longworth Office Building
U.S. House of Representatives
Washington, D.C. 20515-6009

Statement for the Record on the Management of the Tongass National Forest
and H.R. 1368

Dear Chairman Vollmer:

I am Gerald Gray, Director of Resource Policy for the American Forestry Association, the national citizen's organization for trees, forests and forestry. We would like to take this opportunity to share with you our views on the management of the Tongass National Forest because we believe that what goes on in the Tongass affects all Americans and sets an important precedent for the management of all national forests.

Some years ago, a compromise was struck in Congress which apparently satisfied all interests. In return for a sizable wilderness set-aside in the Alaska National Interest Lands Conservation Act of 1980 (ANILCA), timber management in Southeast Alaska was intensified as a way of protecting jobs and communities in that region. That seemed to work for a while, but conditions changed, and the law now appears obsolete.

We have listened to the argument that "a deal is a deal." We have also listened to the very real concerns of people who feel that the special treatment given to the Tongass in recent years was a reasonable accommodation in light of the intensely political climate in which wilderness areas in the Forest were established before the forest planning process was allowed to complete its work. But today, we believe the facts demonstrate that a bad deal is a bad deal. We feel the situation has reached a point where a new solution must be sought. As a result, we support reform of ANILCA to provide for rational management of the Forest, while recognizing the need to treat the people and communities of Southeast Alaska fairly.

Forest Management and Planning

Although the timber industry has recovered in the past couple years due to increased wood product demand and favorable exchange rates, and the regional economy has rebounded as well, Southeast Alaska is still an area of intense

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conflict over complex social, economic, and environmental issues related to the management of the Tongass National Forest. These issues have pitted Alaskans against Alaskans, against "outsiders" from the lower 48 states, while the Forest Service and the timber industry are lined up against just about everybody else in a controversy that no one can win.

The Forest Service receives most of the public blame for the current mismanagement in the Tongass, but it is our feeling that this is not justified. The causes are several, diverse, and complex, but the American Forestry Association believes a principal culprit is a practice that might be called "management by statute." The Tongass has been, and continues to be, managed under prescriptive legislation that preempts rational management decisions by the Forest Service.

Section 705(a) of ANILCA has been interpreted as directing the Forest Service to offer for sale, regardless of market conditions, 4.5 billion board feet of timber per decade, and to spend at least \$40 million annually to maintain the timber supply to dependent industry, largely through the construction of timber access roads. The timber must be offered for sale regardless of the market's economic climate, and the roads are to be built regardless of actual need. In other words, this is a provision which lets the timber industry harvest logs when the market is right and turn into road construction firms when the market is down. During the recession of the early 1980's, millions of dollars were spent each year to construct roads though they had little promise of economic return and caused ecological disruption.

A major problem with Section 705(a) is that it locks spending into one aspect of the situation on the Tongass—timber supply and roads—without really dealing with some basic issues of forest integrity and economic stability. But laws are not easy to change, and when a Forest's direction has been set by legislation, it is far too inflexible to be practical. If nothing else, the furor of the Tongass debate proves that. We think it also proves a principle — dictating the management details of any National Forest by federal legislation is doomed to failure.

The American Forestry Association believes the timber management program on the Tongass should be developed on the basis of the resource capacity of the Forest, as outlined in a modern forest plan, completed and periodically updated in response to the National Forest Management Act of 1976. Annual timber sales volumes, and road construction progress, should be shaped in the short term by signals from the market place. The Tongass timber program should not be directed by Congressional mandate, any more than any other National Forest should be.

We support the repeal of Section 705(a), as provided for in H.R. 1368. However, in fairness to the people and communities of Southeast Alaska, we believe that an annual allocation of economic development funds may be justified due to the history of land management decisions dating back to ANILCA. Should Congress feel that Southeast Alaska is still deserving of special financial assistance in view of ANILCA's significant wilderness set-asides, we would urge that such funds be used in a much-broadened program, to strengthen and diversify

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the region's natural resource-based economy, and to maintain and improve environmental resources. This fund could, for example, be used to improve fish and wildlife habitat, develop better facilities, management and interpretation programs to increase recreational revenues, or initiate a system of marine management areas, in addition to helping foster a rational program of timber development. Such a fund would buffer the economy of Southeast Alaska against the wide swings that characterize a region dependent upon one major resource-based commodity such as timber.

In addition, we are concerned about language in Section 4 of H.R. 1368 that requires the Forest Service to change planning and management priorities on the Tongass so as to give greater emphasis to the long-term interests of commercial fishing, recreation, tourism, subsistence communities, and fish and wildlife. We believe that shifts in management priorities should be made through the planning process established for our national forests rather than mandated by Congress. Therefore, we urge that this type of prescriptive language be changed to allow the Forest Service to conduct its planning process on the Tongass as it does on other national forests, without preset priorities.

Long-Term Contracts

We support renegotiation of the two long-term contracts with Alaska Pulp Corporation and Ketchikan Pulp Company as proposed in H.R. 1368. As guiding principals, we believe renegotiation should promote fair competition within the timber industry, enhance the protection of fish and wildlife resources and habitats, and bring the forest planning and management on the Tongass into conformance with practices on other national forests. Other legislation proposes termination of these contracts. To our knowledge, no one has clearly identified the potential effects of this action on the two large pulp companies and the smaller sawmill operators working on the Tongass. We believe contract termination could have significant impacts on the structure and viability of the timber economy in Southeast Alaska.

Summary

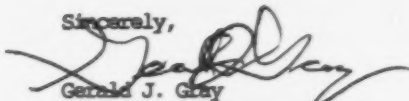
In summary, the American Forestry Association believes that repealing the forest management provisions of the Alaska National Interest Lands Conservation Act of 1980 will relieve some of the immediate problems on the Tongass. It will allow the current forest plan revision process, which is due out with a draft at the end of this year, to sort out the resource facts and help establish a new basis for management decisions without legislative constraints. We also believe that renegotiation of the two long-term timber contracts is more prudent than termination, since there is a high degree of uncertainty about the potential implications of contract termination for the region's timber economy. For these reasons, we support of H.R. 1368. However, we are concerned about language in Section 4 that legislatively prescribes new planning and management priorities. These priorities should be established through the planning process. Finally, we believe that a special economic development fund for Southeast Alaska may still

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be warranted in view of ANILCA's history, but that such a fund should be a broad program focusing on diversification of the natural-resource economy and environmental enhancement.

If you would like any further information or clarification of our views, please feel free to contact me.

Sincerely,



Gerald J. Gray
Director of Resource Policy



**Alaska
Trollers
Association**

130 Seward St., Box 213
Juneau, Alaska 99801
(907) 586-9400

March 13, 1989

Senator Tim Wirth
U.S. Senate
Washington, D.C. 20510

Dear Senator Wirth:

The Alaska Trollers Association would like to applaud your efforts to bring substantive reform to the management of the Tongass National Forest. As an Association representing the needs and views of the commercial salmon trolling industry in southeast Alaska, we have a history of involvement in protecting the fisheries habitat which is so vital to our industry. In southeast Alaska the majority of the important spawning and rearing areas for salmon are located in the Tongass. We feel very strongly that key fisheries habitat areas must be afforded permanent protection (as LUD II - not as wilderness) from logging and related activities. Multiple use planning for the Tongass must provide protections from the cumulative impacts that logging activities are having on our fisheries resources.

In order for the proper protections to be implemented for our industry, some obstacles need to be overcome. All too often, decisions to enter watersheds that have tremendous renewable values in fish resources have been made by the Forest Service despite our industry's strident objections. When the Forest Service has been pressed to explain their actions, one answer has been that they have a mandate to offer 4.5 billion board feet per decade. Another excuse is their interpretation of the 50 year contracts with the pulp mills, which in their view suggests that offerings of a large percentage of high volume, old growth timber at low cost is required so the mills may continue to be "viable" in all market conditions. In many instances these decisions have led to large public outcry, and often ended up in litigation. If true multiple use planning is going to work, constraints such as the 4.5 billion board feet mandate, and terms of outdated long term contracts must be substantially altered to reflect free market realities.

The ex-vessel value earnings of the commercial trolling industry contributed some \$150 million to southeast Alaska's economy between 1978 and 1988. The total ex-vessel value earnings contributed by the commercial salmon fishing industry to the region during the same period was \$380 million. These are only the dollars paid to fishermen and don't take into account the value of the seafood processing industry and its employment benefits, nor does it reflect the benefits as those dollars trickle thru rest of the economy. We are clearly a major contributor to our regions economy and a renewable resource industry that has been a stalwart of the regional economy since the turn of the century. With good stewardship and protection of spawning

habitat while timber is being harvested, we will continue to be a healthy industry into the 21st century and beyond.

The timber industry is also an important source of renewable resource income in southeast Alaska. Many of our friends and even commercial fishermen are involved in the forest products industry and we want them to be provided the opportunity to make a living. Some of the aspects of the current forest industry are not acceptable though, and do not provide adequate protection of fish rearing habitat which is critical for the survival of the fishing industry. We would welcome the opportunity to work with those who would seek to maximize jobs and revenues from a reasonable market orientated timber program while protecting spawning habitat.

Your bill, and a similar bill in the House, address a package of needed changes for the Tongass. We ask that as these measures work their way thru the legislative process, those who desire to bring meaningful reform to the Tongass not lose sight of the need to legislatively guarantee long term protection of extremely high value fish habitat areas, and focus on the need to remove artificial barriers that hinder multiple use management while providing employment opportunity in the timber industry.

We continue to support full funding of the Tongass Timber Supply Fund if direction on expenditure of these funds is toward multiple use, rather than mostly for pre-roading. We believe that more of the expenditures could be used for habitat rehabilitation and enhancement in addition to other multiple uses.

Finally, it is our understanding that Senate field hearings will be conducted in Alaska this spring. We welcome the opportunity to discuss our needs with the members that attend, and urge that the hearings be held as early as possible in order that fishermen and others be afforded the opportunity to participate before the busy summer fishing months (6/15-9-20).

Thank you for the time you have taken to understand the complexities of this issue, and the efforts you have made on behalf of those who seek substantive reform for the Tongass.

Sincerely,

Eric Kling

Earl E. Krygier
Executive Director

cc: Senator Stevens
Senator Murkowski
Representative Young
Senator Dale Gumpers
Senator Bennett Johnston
Representative Bob Mrazek
Representative George Miller



A NONPARTISAN, NONPROFIT ORGANIZATION DEDICATED TO THE PUBLIC INTEREST

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WASHINGTON, DISTRICT OF COLUMBIA 20003

TELEPHONE AREA CODE (202) 543-1300

TESTIMONY SUBMITTED FOR THE RECORD
JILL LANCELOT
DIRECTOR CONGRESSIONAL AFFAIRS
NATIONAL TAXPAYERS UNION

Hearing on H.R. 1368
TONGASS TIMBER MANAGEMENT ACT

SUBCOMMITTEE ON FORESTS, FAMILY FARM & ENERGY
HOUSE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
U.S. HOUSE OF REPRESENTATIVES

March 15, 1989

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to enter this statement into the hearing record. I am Jill Lancelot, Director of Congressional Affairs for the National Taxpayers Union. NTU is a nonprofit, nonpartisan public interest organization of 150,000 members nationwide dedicated to balancing the federal budget and eliminating wasteful government spending.

NTU endorses H.R. 987, the Tongass Timber Reform Act, introduced by Representative Bob Mrazek. NTU believes that H.R. 987 is our best hope for rectifying a grievous wrong, both to the taxpayer and to a valuable natural resource, in the Tongass National Forest of Southeast Alaska.

While H.R. 1368, the Tongass Timber Management Act, is a start toward rational management of the Tongass National Forest, it simply does not go far enough.

Federal law requires that the U.S. Forest Service manage our national forests for multiple use, yet most of the agency's budget and staff are dedicated to timber production. A growing body of evidence suggests that, particularly in the Tongass, faulty Forest Service management is wasting tens of millions of federal dollars annually, while promoting the destruction of thousands of acres of forest valuable to a wide range of other users.

In Southeast Alaska, commercial fishing and the outdoor recreation and tourism industry are commercially viable and their contributions to the regional economy are growing. In 1988 the value of commercial salmon to fishermen -- before processing -- in Southeast Alaska alone was \$129 million. The tourism and recreation industry is still the fastest growing sector of the economy in Southeast Alaska. Employment in each of these two industries far exceeds the direct national forest-related timber employment in the region.

Yet the long-term viability of those industries is seriously threatened by continuation of the federally subsidized welfare timber industry. And despite massive infusions of federal dollars, timber industry employment from the Tongass has declined due to market fluctuations and technological advances.

I use the expression "welfare timber industry" advisedly. Working from published Forest Service and Alaska Department of Labor reports, it is calculated that the amount of federal subsidy for each direct timber job in the Tongass has averaged from \$24,000 to \$38,000 over the last few years, the amount depending on which accounting assumptions are used in determining Forest Service timber preparation losses.

In recent years those losses have averaged 59 cents to 99 cents on the dollar. Under a new accounting system implemented by the Forest Service, costs like road building are amortized over unrealistically long periods -- 150 to 200 years -- to make the deficits appear smaller. But the fact remains that in 1988 the Forest Service spent approximately \$42.5 million and took in only \$1.2

million on Tongass timber sales. From 1982 to 1988, total Forest Service expenditures on the Tongass amounted to \$386 million, while total timber receipts were only \$32.4 million.

NUT believes that H.R. 987 will begin to restore fiscal accountability because it would repeal Section 705 of the Alaska National Interest Lands Conservation Act (ANILCA). It would terminate the unprecedented 50-year contracts with the two Southeast Alaska pulp mills and replace them with short-term, competitively bid timber sales.

Section 705(a) of ANILCA established the Tongass Timber Supply Fund, a guaranteed subsidy of "\$40 million or as much as the Secretary of Agriculture deems necessary," to support timber harvesting on the Tongass. This expenditure is exempt from the usual appropriations process and is immune from any administrative rescissions.

A 1988 study by the General Accounting Office shows that this attempt by Congress to control the economics of a private industry has failed. The GAO found:

- * Between 1981 and 1986, of the \$257 million spent through the Tongass Timber Supply Fund, \$131 million went to prepare timber sales which were not needed to meet current demand and were not purchased.
- * Despite this lavish spending, industry employment declined in the same period from about 2,700 jobs to 1,420 jobs.

These findings expose the flaw in the industry's argument that the program is necessary to preserve jobs.

The GAO report goes on to say: "...volume of timber harvested -- and the resulting employment -- depends primarily on the market's demand for timber, not on its availability. Maintaining employment by ensuring supply, as Section 705(a)...attempt(s) to do, will not be successful under all market conditions."

The GAO report recommends that Congress revise Section 705(a) to provide the Forest Service with more flexibility to supply timber under varying market conditions. The National Taxpayers Union agrees and encourages your subcommittee to report Title I of H.R. 987 amended.

NTU also endorses termination of the two 50-year contracts, and replacing them with short-term, competitively bid timber sales. While originally the contracts may have served the public interest, conditions have changed and we believe they lie at the heart of the fiscal and resource waste afflicting the timber program on the Tongass. Replacing these "sweetheart" deals with competitively bid, short-term timber sales serves the taxpayer and the public's interest.

Last year before this committee, we testified in favor of the

contract renegotiation language found in H.R. 1368. But since then the Forest Service has stated to the committee that changes to the contracts must be mutually agreed to by the mills. Both pulp mills testified that they would sue for breach of contract if unilateral reforms were made by the government. Therefore, we believe it likely that the government would be open to more liability under contract modification than with contract termination.

Replacing the 50-year contracts would put management of the Tongass on the same terms as all other national forests in the country. No longer would the pulp companies run the forest; timber would be sold through competitively-bid, short-term sales. The return to the Treasury in the form of stumpage payments would likely increase significantly. And access to the forest's timber would be re-opened to other users; independent logging operations would again have the chance to operate on the Tongass.

We are not unsympathetic to the individual loggers in Southeast Alaska. The bill would not prevent the mills from continuing to purchase Tongass timber in quantities equal to or even greater than recent historical levels.

But the key here is that they would have to buy the timber at competitive rates, and the Forest Service would have more flexibility in managing the sales to ensure the greatest all-around benefit.

Due to a strong market currently, dissolving pulp prices are at an all-time high. Yet, because of terms of the 50-year contracts, the mills are paying prices as much as 90 percent below what they paid in 1981.

Another point to remember is that only about half the timber produced in Southeast Alaska comes from the national forest. Alaska Native corporations are major timber producers, and they have to export their sawlogs, while leaving much of their pulp logs to rot on the ground, because the two mills get their supply virtually for free from the government.

In some cases Native corporations derive less revenue from the sale of their high-value timber than they do from the sale of their net operating losses to other corporations seeking a tax break. Net operating loss sales result in less tax money flowing to the federal treasury from corporations outside the region. The government-subsidized monopoly of the fifty-year contracts in the Tongass is part of the cause.

According to a recent statement by an official of Sealaska, the largest Native corporation in the region, efforts to invest in a diversified forest products industry there have been thwarted by conflicts created by the long-term contracts.

National Taxpayers Union urges this subcommittee to modify H.R. 1368 with an amendment to terminate the two 50-year contracts, and we continue to stand by our support of H.R. 987, the Tongass Timber Reform Act.

WRITTEN TESTIMONY OF MIKE MATZ
ALASKA ASSOCIATE FIELD REPRESENTATIVE
SIERRA CLUB

The Sierra Club wishes to submit this written testimony for the record of the Forests, Family Farms, and Energy Subcommittee hearing on the Tongass National Forest held March 15, 1989. The Sierra Club is a national conservation organization with more than 500,000 members, including a healthy Alaska Chapter, with groups in Juneau, Fairbanks, and Anchorage. Reforming management practices on the Tongass Forest is an important Sierra Club priority.

The Sierra Club supports H.R. 987, legislation sponsored by Rep. Mrazek and others, and hopes to work with this committee to improve upon H.R. 1368. Specifically, we believe H.R. 1368 should be amended to terminate 50-year contracts the Forest Service holds with two pulp companies, and to replace the contracts with short-term and competitive timber sales. Additionally, we believe H.R. 1368 should be amended to protect 23 key wildlife areas by designating them as wilderness.

The Tongass National Forest in Alaska is not only the country's largest and wildest forest, it unfortunately happens to be the most abused and mismanaged unit. If the Tongass will be able to continue to be described in such terms as "endless rhythm and beauty," as John Muir characterized the forest over a 100 years ago, then significant reform measures need to be enacted soon.

H.R. 987 embodies all of the necessary reforms to accomplish the goal of putting the Tongass on equal footing with other units in the national forest system. This legislation would completely repeal Section 705 of the Alaska Lands Act, thus eliminating the annual give-away of \$40 million or more and abolishing a misguided mandate to provide 4.5 billion board feet of timber per decade. Basic common sense argues that in these tight budgetary times a "blank check" should not be given for such a huge federal subsidy, but instead this appropriation should be made through the normal appropriations process of Congress. Driving the wasteful spending, according to a General Accounting Office report which found that the Forest Service squandered \$131 million from 1981 to 1986 by offering timber when industry had no interest, is the "rigid per decade requirement."

Jobs are the rallying cry behind which the timber industry attempts to protect its free yearly fix -- an automatic subsidy that would be the dream of any private industry. As the GAO and others have pointedly demonstrated, the huge injection of federal cash has done little to maintain jobs. Despite \$257 million spent between 1981 and 1986, GAO reports that timber jobs during that same period declined nearly 50%, from 2700 in 1981 to 1420 in 1986, primarily due to a poor market for pulp. Currently, only 1781 people are directly dependent on Tongass timber. At Congressional Oversight Hearings in May 1986, the Forest Service in response to questioning by Rep. Don Young stated, "Given the reduced demand for Alaska sawn products in export markets since 1981, no amount of ANILCA investments could have maintained the timber industry employment at historic levels." Meanwhile, the two mills have shown their sincere concern for jobs with bitter labor disputes and union-breaking over the last several years.

Instead of protecting the jobs of Alaskan timber workers, the legislatively-mandated funding and timber supply have meant fiscal waste: millions spent on roads that no one uses and timber sales that no one buys. But repealing Section 705 is only the first step in providing satisfactory reform.

A vital second step is the termination of two anachronistic 50-year contracts the Forest Service holds with two pulp companies, and their replacement with the system of short-term, competitively bid timber sales used on all other national forests. The travesty brought about by the 50-year contracts is well documented. It is wise to consider the words of former House Public Lands Subcommittee Chairman John Seiberling, who chaired oversight hearings on the Tongass in the 99th Congress. In reference to the contracts he said:

I don't feel that either Louisiana Pacific or APC [Alaska Pulp Corporation] have any equity left in their claim that they came over here to make an investment based on the 50-year contracts. Their conduct, squeezing small people out of business, violating our antitrust laws, has long ago eliminated any moral claim they had for the continuation of that....It seems to me that the best thing to do would be to scrap the contracts and put APC and Louisiana Pacific on the same basis as everybody else.

The Sierra Club believes that the contracts must be terminated and replaced with short-term timber sales. They are the bedrock for a host of environmental and social problems plaguing the Tongass today. The two long-

time timber contracts give unprecedented domination of Tongass Forest management to Louisiana Pacific-Ketchikan (LPK) and Alaska Pulp Corporation (APC). Together, LPK and APC control one-third of the Tongass land area and two-thirds of the commercial forest land. Although these contracts predate the Multiple Use Act and the National Forest Management Act, the Forest Service has yet to bring them into compliance with those laws.

In 1981, these companies were found guilty in federal district court of conspiracy in restraint of trade, collusion, and anti-trust violations. The court ruled that they had conspired to run independent loggers operating in the Tongass out of business and bilked the government out of \$80 million in timber receipts. They had assumed control of over 90% of the Tongass-based timber processing industry, a position they continue to enjoy today.

In the third important step toward responsible stewardship of this unique and dynamic forest is the permanent protection of valuable old growth rainforest. We believe that the 23 areas listed in H.R. 987 need to be designated wilderness by Congress or these important wildlife areas and unique old growth stands will be lost to the sounds of chain saws.

Although the Chief of the Forest Service admits that ANILCA "certainly doesn't mandate a harvest," the Forest Service is spending the money to build "advance roads" [or "pre-roads" which the Forest Service has now taken to calling "public work roads"] in pristine wild drainages in order to gain access to still more unnecessary timber sales. Many foresters privately admit that they are merely following an unwritten agency direction to road every unlogged drainage possible by 1989, the year the Forest Service may consider new wilderness and roadless designations.

This unwritten policy is clearly explained in a letter from Interior Committee Chairman Morris Udall to then-Secretary of Agriculture Richard E. Lyng on July 31, 1986:

...according to its own Tongass Land Management Plan Evaluation Report, the Forest Service built roads into nearly one-fourth of all the roadless value comparison units (VCU's) in land use designations III and IV between 1979 and 1984. Assuming a 100-year timber rotation, this indicates the Forest Service has been following a timber road construction policy that is neither prudent forestry nor prudent multiple use management.

At the current pace, roads will be built within another 15 years in virtually every roadless area on the Tongass. Under standard practices for harvesting the Tongass on a 100-year rotation, it should be many decades before all management areas would need to be

roaded. It appears, therefore, that the Forest Service is constructing new roads into roadless watersheds at a rate far in excess of that which is necessary.

The Forest Service not only systematically plans to preclude the opportunity to protect as wilderness key wildlife and fisheries habitat by "pre-logging," or building unnecessary roads that lead to nowhere; the agency hopes to liquidate high-volume old growth as expeditiously as possible. Past cutting and current forest plans target a disproportionate amount of high-volume old growth for logging. While TLMP called for 27 per cent of logging to come from low volume stands, only about 15 per cent of industry logging has come from low volume stands since 1981. High quality old growth Sitka spruce, which comprises only 12 to 14 per cent of the total timber volume, has been logged at twice the rate it occurs.

The Tongass Forest cannot stand this multi-pronged attack on its integrity if it is to support valuable wildlife and fisheries habitat. Many significant sectors of the economy in Southeast Alaska depend on old growth forest. According to the Forest Service, 90 per cent of all salmon harvested in southeast Alaska were spawned and reared in the watersheds of the Tongass. Standing dead snags and trees are an essential component of the structural diversity which supports nesting of 26 species of birds. The varied growth rates and ages of trees found in old growth stands are key to the success of deer populations.

The importance of these natural resources to commercial fishing, tourism, and subsistence economies cannot and should not be understated in the debate over whether to designate key areas as wilderness. Such permanent protection will ensure that these resources endure, and we urge the committee to afford wilderness designation to those important areas just as H.R. 987 calls for.

In considering this recommendation, the committee should not be swayed by claims that a deal is a deal, or assertions that Section 705 was a payment for existing wilderness. There was no deal. Section 705 emerged after closed door sessions in the final days before passage and no representatives of environmental organizations participated. The existing wilderness consists primarily of areas with no timber value whatsoever. The most important old growth forest found in the Tongass is the biologically rich, high-volume old growth which exceeds 50,000 board feet per acre in density. Less than five per cent of these ancient stands is protected in wilderness.

The time has come to remedy years of mismanagement of the country's biggest and best of the national forests. The grandeur and mystique John Muir felt so profoundly as he traveled the inside passages of Southeast Alaska over a century ago should not succumb to a federally subsidized program of waste that fails to accomplish what it was intended to do. The committee should end the senseless practices of the Forest Service by acting quickly to improve H.R. 1368 as outlined above, and favorably to report legislation that mirrors H.R. 987.



THE WILDERNESS SOCIETY

STATEMENT OF GAYLORD NELSON, THE WILDERNESS SOCIETY,
ON THE TONGASS TIMBER REFORM ACT
BEFORE THE COMMITTEE ON AGRICULTURE
MARCH 15, 1989

Mr. Chairman, members of the Committee, I am Gaylord Nelson, Counselor of The Wilderness Society.

My statement is in support of H.R. 987, introduced by Representative Mrazek, the Tongass Timber Reform Act. The Wilderness Society strongly believes that it is imperative this bipartisan reform measure be enacted to save both important natural resources and taxpayer dollars.

Also my statement is in support of sections 3 and 4 of H.R. 1368 introduced by Representative Volkmer. The Wilderness Society does have some concern about section 2 of the bill which I will go into later in this statement.

Summary

The Wilderness Society conducted a two-year study of the status of the Tongass National Forest in southeast Alaska. Based on the study which addresses the environmental and economic consequences of federal timber management on the Tongass, we conclude:

- o Large scale timbering on the Tongass is indefensible by any economic measure.
- o Timber job opportunities in southeast Alaska cannot be maintained despite increasing federal subsidies provided pursuant to Section 705 of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA).
- o High levels of logging and roading on the Tongass will ultimately destroy a major portion of one of the last remaining temperate rain forests on the planet.
- o Wildlife and traditional subsistence lifestyles will be lost, salmon fisheries degraded, and recreation and tourism values and related employment diminished, if the current timber program remains in place.

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- o Long-term timber sale contracts make sound planning and management for the future of national forest lands impossible.
- o Long-term timber sale contracts do not comply with the guidelines and standards of the 1976 National Forest Management Act (NFMA), even though Section 15(b) of NFMA directed the Forest Service to renegotiate the contracts to implement necessary changes.
- o Long-term timber sale contracts have given two pulp mills monopoly power in the southeast Alaska timber industry.
- o Long-term timber sale contracts fail to allow a fair financial return to the United States treasury for the sale of Tongass timber.
- o New, short-term timber sale purchasers suffer competitive disadvantages as a result of the exceptional provisions provided two timber companies by long-term timber sale contracts.
- o The federal government has the necessary authority to terminate long-term timber sale contracts to achieve better forest management of the Tongass, promote fair competition in the southeast Alaska timber market, and to assure a fair return to the United States treasury from the sale of Tongass timber.

For most of this century the Forest Service has attempted -- without success -- to establish a viable timber industry in Southeast Alaska. The laudable objective has been to create jobs and boost the economy. In the 1950s, the Forest Service persuaded two timber companies to build pulp mills in the region by offering them exceedingly generous terms. The inducements were exclusive 50-year contracts guaranteeing them the right to select the best timber at "favorable prices." In practice this has meant heavily subsidized timber paid for by the taxpayer. The availability of timber subsidized by the government is the key factor that encourages the continuation of large scale timbering on the Tongass.

As part of the continuing effort to create a "forced" timber program in the region, an amendment to the 1980 Alaska Lands Act (ANILCA) provided the Forest Service with an open-ended appropriation of "at least \$40,000,000 annually" to enable the Forest Service to supply 4.5 billion board feet of timber per decade to "dependent industry." The Forest Service interprets this provision (incorrectly, we believe) as a congressional directive to spend the money building logg^g roads and preparing

timber sales even when there are not buyers. They have spent millions doing just that. For the past eight years they have sold less than 50 percent of the timber offered for sale.

During the eight-year period 1981-1988, the Tongass Timber Supply Fund created as a result of Section 705 of the Alaska Lands Act has cost the taxpayer a grand total of \$393 million and total Tongass timber program deficits rising to more than \$50 million a year in 1983 through 1987. Stated differently, the Tongass timber program lost 93 cents for every dollar spent in 1984 and 99 cents in 1985, 1986, and 1987. In 1988, "record" high year for Tongass timber, the loss to the Treasury was still 85 cents on the dollar.

In 1986, while the Tongass timber program was spending more than \$50 million of taxpayer funds, total cash receipts were about \$82,000. That means that 1986 timber receipts covered timber expenditures for less than four hours of the first day of the fiscal year. For the year, the taxpayer lost 99.8 cents for every dollar spent.

Matters only worsened in 1987, when there were no cash returns from the Tongass timber program. Incredibly, that year the taxpayer lost more than 100 cents for every dollar spent, because of cash refunds to timber purchasers under the terms of the 1984 Federal Timber Contract Modification Act.

If current annual loss rates continue, the Tongass timber program will lose more than half a billion dollars in the next ten years.

In its 1985 Section 706 (b) Report to Congress, the Forest Service projected long term continued losses on timber sales from the forest. Assuming a continuance of current market conditions, the Forest Service predicted losses totalling \$4.74 billion over the next five decades, or about \$90 million per year on average. Under the most optimistic -- and, most unlikely -- forecast, assuming high timber product prices and strong market demand, the Forest Service projected agency and industry losses of \$898 million in current dollars over the next five decades.

It is argued by the Southeast Alaska pulp companies and others that a variety of special circumstances has contributed to the Tongass timber problems in the past eight years, including the withdrawal of prime timberland for wilderness, "softening of international markets due to a world-wide recession," and competition from privately-owned Native forest lands.

While some of these events have exacerbated the situation, they are not the fundamental cause of the current uneconomic timber program on the Tongass. The Tongass timber program was in place and losing money long before any wilderness was set aside,

before international markets weakened, and before Native-owned timber came into competition.

Indeed, during the period of high demand, employment, and prices -- 1977 through 1980 -- the Forest Service still lost money, to the tune of \$74 million, on timber sales from the Tongass. After Section 705 of the Alaska Lands Act gave the Forest Service a "blank check," timber sale deficits have grown steadily. These expenditures, however, have not been able to alter the reality of falling market demand and falling employment. Despite all the timber program expenditures, forty percent of the Tongass dependent timber employment has been lost since 1980.

The argument that the designation of some prime timber land as wilderness has contributed to the timber industry problems of the past eight years is not substantiated by the facts. Of the 100,000 acres of timber in the highest volume class (50 thousand board feet per acre or more) on the Tongass, only nine percent has been set aside in either wilderness or roadless designations. In its draft 1986 Section 706 (b) report to Congress on the status of the Tongass circulated for public review last year, the Forest Service stated "...the anticipated increased dependence on the low volume classes and areas requiring special harvesting technology [resulting from wilderness designations] has not occurred during the 1980 through 1984 period, nor has there been any apparent restriction on access to harvest units as a result of wilderness designations."

Moreover, this result is perfectly consistent with the Forest Service's 1979 Tongass Land Management Plan, which stated that "...amount of land allocated to [the timber base] contains...the lion's share of operable commercial forest land. This is important to consider since it indicated that diminishing returns can be expected from allocation of more areas to [the timber base]." There has never been, and there is not presently, a shortage of timber to harvest in Southeast Alaska.

Changing market conditions, competition from other suppliers, substitute products, and increasing costs to access timber make a compelling case that timbering on the Tongass under Section 705 of the Alaska Lands Act will become even more costly in the future than it has been in the past.

For these reasons, The Wilderness Society recommends that Congress enact H.R. 987 and repeal Sections 705(a) and (d) of the Alaska Lands Act. The Tongass is the only national forest in the country rigidly bound by a timber supply goal and a permanent appropriation specified in law. It is also the only national forest that is exempt from the requirement that the Forest Service identify lands not suitable for timber production and withdraw such lands from production.

Enacting H.R. 987 would have the following consequences:

- o It would facilitate better planning and management for both timber and non-timber resources on the Tongass.
- o It would allow the Forest Service to manage the Tongass' vast resources to fully support the fishing and tourism industries that are threatened by logging. Salmon fisheries and scenic beauty, important non-timber resources and subsistence rights of Southeast Alaskan residents would no longer be subordinate to timber.
- o Future timber harvest goals would be set according to the best available information, consistent with the National Forest Management Act (NFMA).
- o Future Tongass timber budgets would be consistent with the fiscal priorities of the nation.

Enacting H.R. 987 would simultaneously save taxpayer dollars, protect environmental quality, and enhance the long-term prosperity and stability of the region.

The Timber Economy of Southeast Alaska

In 1983, there were slightly more than 31,000 full-time equivalent jobs in southeast Alaska. With the state's capital, Juneau, located in the region, government jobs account for about 35 percent of employment. Although the region was settled by fur traders and gold miners, industries dependant on the extraction of these commodities no longer dominate the economy.

Today, the most important commodity-based industries, timber and fishing, each account for ten percent of employment. On the other hand, tourism is the region's fastest-growing industry. Tourism-related employment has doubled since 1970 and now provides about thirteen percent of the full-time equivalent jobs in the region.

As early as 1910, the Forest Service proclaimed that the "timber would be cut and utilized as soon as possible" and that a pulp industry was the most desirable use for the region's timber resources. Ultimately, after several failed attempts over a 40-year period, the Forest Service succeeded in awarding two long-term timber contracts on the Tongass. These 50-year contracts, now held by Louisiana Pacific Corporation and Alaska Pulp Corporation, feature guaranteed supplies of timber at low

stumpage fees in exchange for a commitment to construct and operate pulp mills in Ketchikan and Sitka and to develop roads and other facilities in Southeast.

When Congress enacted ANILCA, Section 705 established a goal of supplying 4.5 billion board feet of timber per decade from the Tongass to "dependent industry." This provision also provided an open-ended appropriation of "at least \$40 million annually or as much as the Secretary of Agriculture finds is necessary" to achieve the timber supply goal. Furthermore, the act exempted this special funding from the annual appropriations process in Congress and from deferral or rescission by the Administration.

Section 705 of ANILCA is the only instance where Congress has intervened in the forest planning process established by the National Forest Management Act of 1976 to set a timber sale goal for a national forest. The Section 705 funding mechanism, the Tongass Timber Supply Fund, is also the only national forest timber budget that is exempt from the annual appropriations process.

In effect, the timber supply goal and funding specified in Section 705 of the act ratified the Forest Service's 1979 Tongass Land Management Plan. As implemented by the Forest Service, Section 705 has become an irrational and unaccountable policy of excessive logging and roadbuilding and waste of taxpayer dollars.

The tale of the timber industry in southeast Alaska is really a story about social policy and institutional interests - a well-intentioned, systematic effort to exploit the region's natural endowment of trees to provide year-round jobs, maximum value added in the local economy, and viable communities. It provides convincing evidence of the federal government's ability to administer and legislate supply-side incentives, such as access to publicly owned timber and subsidized infrastructure. However, it also demonstrates that the government cannot regulate major changes in market demand and social priorities.

As a result, carefully crafted supply-side incentives have become very costly and have failed to achieve their original goals. Since passage of the Alaska Lands Act (ANILCA) eight years ago, taxpayer losses on Tongass timber have risen to more than \$60 million a year and Tongass dependent timber jobs have declined by as much as 48 percent. In 1988, Tongass dependent timber employment was still 26 percent below pre-ANILCA levels at 1900 jobs.

The Tongass, however, is by no means the only example of taxpayer losses on national forest commodity programs. The problem is a general one for the National Forest System. According to the Office of Management and Budget, "Forest Service

costs for timber and mineral activities exceeded the federal share of receipts by \$621 million in 1985."

The Tongass is simply the most egregious example of this supply-side commodity policy. Through the timber supply goal and the Tongass Timber Supply Fund, Congress has given the agency a "blank check" to pursue its institutional interests regardless of the costs to the taxpayer or the regional economy.

What these supply-side incentives have created are vested interests on the part of the Forest Service and two large pulp companies in perpetuating current policy. These interests now impede the process of change needed to achieve a sustainable regional economy and to protect the environment.

H.R. 987 represents bona fide reform by repealing Section 705 (a) and Section 705 (d) removing supply-side incentives from Tongass management saving both taxpayer dollars and precious natural resources.

Timber Mining

It is apparent that there is no reasonable possibility of "managed" tree farming -- in the economic sense -- in southeast Alaska. The region is simply not economically suited for sustained, large-scale timber production because trees grow slowly compared to other timber producing regions, production costs are very high, and markets for southeast Alaska's wood products are likely to remain weak in the foreseeable future. Under such unfavorable conditions, the rate of return on timber investments over the planned rotation of 100 to 120 years is unequivocally negative.

The uneconomic nature of large scale timber harvesting is exacerbated by the hidden losses imposed by the pick and choose method of harvesting currently practiced by the long-term contract holders. This practice allows the contract holder to harvest only the most valuable timber stands, thus taking the better quality timber than was actually paid for in its appraisal of timber by the Forest Service. This practice allows the long-term contract holder access to the most valuable stands -- and, incidentally those stands with the highest value for wildlife and fishery habitat protection -- in quantities that are far in excess of their natural occurrence by volume class per acre and species mix in the Tongass commercial forest land base. This "high-grading" of the forest allows the long-term purchasers to retain the unharvested low volume timber, using these stands to reduce future timber appraisals.

Logging in southeast Alaska means cutting the remaining coastal old-growth rain forest. Official Forest Service statements notwithstanding, managed tree farming is simply not a viable option.

The only real economic questions facing Forest Service timber managers are: How much, if any of the remaining old-growth forest should be mined? And, at what rate should timber mining occur?

The long-term sustained yield calculations by the Forest Service to support future timber rotations should be seen for what they are: rationalizations for federal government spending to expand the Forest Service's timber program budget and to subsidize the pulp companies in southeast Alaska.

Given the scarcity of temperate zone rain forests, their potential scientific and economic value as an undisturbed ecosystem, and their importance to fishing and tourism jobs and traditional ways of life in southeast Alaska, it would be reasonable to expect very little logging on the Tongass. Instead, public policy perpetuates an obsolete notion -- high levels of logging on the Tongass to support a pulp industry.

Pulp Companies and Market Structure

The Forest Service's long-standing effort to establish a major wood product's industry in southeast Alaska did not bear fruit until the 1950s, when it was able to induce two companies to build pulp mills in Ketchikan and Sitka. The mills came only after the Forest Service created exclusive "working circles" from which each company was guaranteed timber supplies under exceptionally attractive pricing and operating provisions. The first of the 50-year contracts, now held by the Louisiana Pacific Corporation, obligates 8.3 billion board feet of timber and expires in 2004. A second 50-year contract, now held by the Alaska Pulp Corporation, obligates 5.0 billion board feet and expires in 2011. These contracts are unique to the national forests. No other such long-term agreements exist.

As a result, the two large pulp companies holding the 50-year contracts dominate the market. Today, Alaska Pulp and Louisiana Pacific control between them 100 percent of the region's pulp mill capacity, and two-thirds of the sawmill capacity.

Mill capacity is only one indication of the dominant market position held by Louisiana Pacific and Alaska Pulp. Because the profitability of timber operations can be increased by finding a market for both pulp logs and sawlogs, the independent sawmills

and the Native corporations are eager to sell the pulp logs they harvest. Since Louisiana-Pacific and Alaska Pulp are the only potential buyers of pulp logs in the region and since these companies are guaranteed log supplies on favorable terms from the national forest through long-term contracts, they are able to virtually dictate prices and terms of pulp log sales in the region.

During the early years of the pulp mill operations, several small logging companies bid on Forest Service timber sales on the Tongass. These independent loggers would, in turn, sell logs to the pulp mills and sawmills. In 1975, the Reid Brothers Logging company, one of the few surviving independent loggers at that time, filed suit against the two pulp companies, alleging concerted actions in restraint of trade. In 1981, the United States District Court in Seattle, Washington, determined that Louisiana Pacific and Alaska Pulp had violated the Sherman Antitrust Act. The court awarded the plaintiff damages of \$1.5 million.

The Reid Brothers suit called attention to the possibility that the federal government might have suffered reduced timber receipts due to the anticompetitive practices of the two pulp companies. In fact, in 1982, a timber appraisal expert concluded that potential government losses between 1959 and 1980 ranged from \$76.5 million to \$81.5 million.

Timber Pricing

Regardless of competitive behavior in the marketplace, it is inevitable that the Tongass timber program will lose taxpayer dollars under the Forest Service's obsolete timber pricing system, called residual value pricing. Nationwide, the Forest Service sets minimum bid prices at a level the agency determines a reasonable efficient operator can pay and still make a fair profit. Whether or not the government itself can expect a fair return on the sale -- or even recover its costs for managing the stand, building roads, and administering the sale -- does not enter into the equation.

In addition to residual value pricing, the owners of the long-term timber contracts on the Tongass enjoy certain special provisions. One such provision is the downward adjustment of stumpage fees. When the 50-year timber sale contracts were negotiated in the 1950s, the Forest Service established "base rates" for the various classes of timber. These long-term timber prices are reappraised by the agency at five-year intervals. Within each five-year interval, the pulp companies may petition for a reduction in timber prices (a process called "rate redetermination") if market conditions worsen. These redetermined rates are retroactive to the beginning of the five-year operating plan.

In 1982, Alaska Lumber and Pulp Company -- now called Alaska Pulp Corporation -- requested a rate redetermination of its 1981-86 price schedule. It was granted effective July '1, 1982. Under the new schedule the price of spruce sawlogs, for example, was reduced from \$215.98 per thousand board feet to \$2.26 (see Table 1). On December 1, 1981, Louisiana Pacific was granted a rate redetermination on its 1979-84 price schedule. Under the new schedule, prices were reduced on spruce sawlogs from \$114.96 per thousand board feet to \$2.87, and on hemlock sawlogs from \$30.97 to \$1.97.

Recently, the Forest Service obtained a stumpage rate escalator clause for the Louisiana Pacific-Ketchikan long-term timber sale contract. This provision operates similarly to the emergency rate redetermination clauses in both contracts, allowing increased stumpage prices to be imposed when market prices improve substantially during a five-year operating period. This sounds good on its face, however, the reality is something quite different.

In fact, the cost of this accord to the federal government appears to be exceedingly high. First, the federal government's loss of \$63 to \$81 million in stumpage revenues between 1959 and 1975 caused by the preclusive/collusive bidding and other anti-trust practices of the long-term contract holders was exchanged for a single cash payment of \$1 million collectable in 1990.

Second, unlike any other timber sale contract in the national forest system, Louisiana Pacific-Ketchikan can apply its "ineffective purchaser road credits"¹ accumulated during the previous five-year operating plan to offset future stumpage charges. The company acquired its large "backlog" of ineffective purchaser road credits as a result of the emergency rate redetermination obtained on December 1, 1981 when the company's stumpage price was reduced by more than 95 percent. The net result of this change will not increase the actual payments to the Treasury. The ineffective purchaser credits will cancel out any paper increases in stumpage claimed by the Forest Service or the company.

1. Louisiana Pacific-Ketchikan (LPK) agreed to undertake the necessary new road construction to harvest national forest timber. In exchange, the price LPK paid for timber would be offset by the estimated cost of road construction to access the stands. In this arrangement the federal government traded one asset -- timber -- for another -- roads. When the estimated cost of road construction exceeded the amount owed for timber, these so-called purchaser credits could not be offset and were considered ineffective.

TABLE 1: ORIGINAL AND REDETERMINED STUMPAGE PRICES FOR 50-YEAR
TIMBER SALE CONTRACTS, TONGASS NATIONAL FOREST, 1983

Company, Species and Product	Appraisal Rates	Emergency Rate Redetermination ²
Alaska Pulp Company (APC):		
	<u>1981 - 86</u>	<u>Effective 7/1/82</u>
	Dollars per thousand board feet (\$/MBF)	
Spruce Sawlogs	\$215.98	\$2.26
Hemlock Sawlogs	1.36	1.36
Alaska Cedar Sawlogs	1,058.27	1.22
Spruce Utility Logs	.50	.50
Hemlock Utility Logs	.50	.50
Louisiana-Pacific Corporation (LPK):		
	<u>1979 - 84</u>	<u>Effective 12/1/81³</u>
	(\$/MBF)	
Spruce Sawlogs	\$114.96	\$2.87
Hemlock Sawlogs	30.97	1.97
Alaska Cedar Sawlogs	182.34	13.42
Western Redcedar Sawlogs	86.57	1.62
Spruce Utility Logs	114.96	2.87
Hemlock Utility Logs	30.97	1.97

SOURCE: U.S. Forest Service, Region 10.

Other than a few corporate executives, no one actually knows if the pulp mills in southeast Alaska are profitable or not. For example, the 1986 Louisiana Pacific Corporation Annual Report acknowledged concerns over the viability of its Ketchikan operations, but was no more specific than to mention "major losses over the past several years." This is consistent with

². "Base rates" are set administratively and generally represent the lowest rate for which timber can be purchased. The LPK and APC rates were established at the beginning of their contract terms in 1951 and 1956, respectively. The long-term rates are reappraised at five-year intervals and may be higher than base rates, but never lower. The redetermined rates shown above for APC are at the 1956 contract base rate; the LPK rate is slightly above the 1951 contractual base rates.

³. LPK's stumpage rate was reappraised recently. However, payments to the Treasury will not increase, because LPK may apply "ineffective purchaser credits" accumulated under the 12/1/81 redetermined rate to future timber purchases. See: footnote 3, *supra*.

these corporations' efforts, for years, to depict themselves as "an industry in crisis." Given the current pricing mechanisms under which cost increases and sale price decreases are absorbed by the raw material supplier, the federal government, this is very rational behavior indeed.

The crisis argument took on new meaning in January, 1987 when the Alaska Pulp Company filed an \$85 million contract claim against the Forest Service for the 1980 through 1985 operating period. Alleging several Forest Service breaches of long-term agreement, the company's complaint, among other things, suggests that the Forest Service's role in Southeast Alaska is that of an "economic development" agency rather than a custodian of an important national resource. Indeed, the company's complaint suggests that it "guaranteed" a profit regardless of economic conditions, market demand, or competition. Significantly, if these claims are adjudged to be true, taxpayer losses from the Tongass timber program under Section 705 of the Alaska Lands Act could soar to more than \$70 million per year.

Taxpayer and Employment Consequences

Over the years, the Forest Service has lost millions of dollars selling timber from the Tongass. Due to deteriorated market conditions and increased Forest Service expenditures for "roads to nowhere," under utilized facilities and timber sales without buyers under Section 705 of the Alaska Lands Act, taxpayer losses have grown sharply. And, guaranteed timber sales and other supply-side incentives have not brought stability to employment in southeast Alaska.

Table 2 summarizes Tongass timber program receipts and expenditures for 1977 through 1988. Net timber receipts are negative over the entire eleven-year period, resulting in a total loss of \$487.4 million (in 1984 dollars).

TABLE 2. TONGASS TIMBER PROGRAM RECEIPTS, EXPENDITURES, AND NET RECEIPTS, FISCAL YEARS 1977 TO 1987.⁴

	Timber Receipts	Timber Costs	Net Timber RECEIPTS	TSPIRS ⁵
1977	9.9	36.7	(26.9)	--
1978	11.9	38.0	(26.1)	--
1979	13.8	41.3	(27.5)	--
1980	26.0	45.8	(19.8)	--
1981	15.0	55.6	(40.6)	--
1982	21.6	66.0	(44.4)	--
1983	5.4	59.5	(50.1)	--
1984	4.1	58.8	(54.7)	--
1985	0.2	52.9	(52.6)	--
1986	2.0	54.7	(52.7)	(22.5) ⁶
1987	(2.0)	49.1	(51.1)	(8.6)
1988	1.4	38.8	(36.8)	(1.8)
TOTAL	109.1	596.5	(487.4)	(32.9)

In fact, annual net receipts are consistently negative even if one completely ignores the capital costs for roads and facilities. In 1983 through 1987, annual taxpayer losses on federal timber sales from the Tongass were more than \$50 million each year. Stated differently, the Tongass program lost more than 93 cents on every taxpayer dollar spent. Since 1985, taxpayer losses have been ranged from 99 cents to 85 cents for every spent. If current annual loss rates continue, the Tongass timber program will lose more than half a billion dollars in the next ten years.

4. Source: U.S. Forest Service.

5. Timber Sales Program Information and Reporting System, See: General Accounting Office, "Timber Program: A Cost Accounting System Design for Timber Sales in National Forests." U.S. General Accounting Office, GAO/RCED-87-33, April, 1987.

6. General Accounting Office, depreciated road costs over a straight line 20-year useful life for FY 1986 and found that the Tongass lost \$34,141,000 according to TSPIRS cost accounting methods. See: GAO/RCED-88-54 ANILCA Timber Provision, at 56.

Unfortunately, taxpayer losses are bound to grow because of the chronically high costs of producing wood products in southeast Alaska. These high operating costs along with the chronically weak markets for southeast Alaska's wood products assure future taxpayer losses.

Recent increases in the market price for dissolving pulp are an anomaly. It is a temporary condition that has occurred twice previously over the past thirty years. This relatively high "spot market" price has not reversed the secular decline in the market demand for dissolving pulp worldwide. The short-term increase in demand for southeast Alaska's dissolving pulp is overshadowed by the emergence of several lower-cost pulp producers that will compete directly with southeast Alaska in the future.

These recent developments are consistent with new Forest Service timber supply and demand studies that predict a collapse in demand for southeast Alaska's dissolving pulp by the end of the next decade. Moreover, housing starts in Japan, the primary determinant of demand for Alaskan sawlogs, are expected to remain flat or decline through the rest of the century because of the age structure of the Japanese population.

While huge taxpayer losses on the Tongass timber program generally reflect changes in wood product markets and very high production costs, the Forest Service has made its own contributions to the red ink. For example, the agency has continually offered timber sales that have not attracted buyers. Between 1980 and 1984, this practice alone caused average annual losses exceeding \$8 million due to sale preparation, road design, and road construction costs.

From the beginning, the primary justification for federal intervention in southeast Alaska has been to promote economic growth. But, in spite of increasing timber program expenditures by the Forest Service, regional timber industry employment has fallen sharply -- from more than 3,000 full-time equivalent jobs in 1980 to fewer than 1,900 today. Each job in logging and mill work still maintained by the Tongass timber program costs U.S. taxpayers \$36,000 per year.

Federal policy is also flawed because it ignores the contributions to timber output and employment that can be made by Alaska's Native corporations. Through careful land selections, the Native corporations now own some of the best timber lands in southeast Alaska. Their share of the regional timber harvest climbed from 13 percent in 1980 to 57 percent in 1988. However, Forest Service sales under the 50-year contracts impede the ability of the Native corporations to successfully market their pulp-grade logs. Up to 90 mmbf of pulp-grade material is left on the ground on Native corporation lands or sold to Canadian pulp companies each year because the pulp mills have access to

subsidized federal timber from the Tongass.

Finally, the federal timber program places at risk a large number of jobs in southeast Alaska that ultimately depend on the preservation of the Tongass' forested area. This is particularly true for jobs in the fishing and tourism sectors of the economy. These sectors, which combined to provide more than twice as many jobs in the timber industry, depend on natural resources that can be sustained in perpetuity. The southeast Alaska timber industry, on the other hand, is dependent on the one-time harvest of high volume, old growth timber.

Institutional Interests

Federal timber policy in southeast Alaska grew out of a well-intentioned effort to establish a stable employment base in the region. Since the construction of the pulp mills, however, the various demands placed on the Tongass National Forest has changed radically. Current and projected market demand for the region's timber products and timber industry employment have fallen sharply. At the same time, demand has increased greatly for wilderness, recreation, fisheries, wildlife, and protection of the ecosystem.

It is not difficult to imagine why two pulp companies resist fundamental changes in federal timber policy. In building the pulp mills, each firm made substantial commitments of capital and management resources. Furthermore, current policy provides for the effects of adverse market forces -- e.g. lower product prices and high infrastructure costs -- to be passed on to taxpayers in the form of reduced stumpage fees and increased government spending.

Managers of public agencies, including the Forest Service, have an incentive to maximize annual budgets and staff positions under their control. Before World War II, the timber industry relied almost exclusively on private lands for its logs. Since there was little industry demand for federal timber, the Forest Service was more a custodian than an active manager of its lands. But as private timber inventories declined and market demand for federal timber increased following World War II, the Forest Service discovered a reliable political prescription for increased budgets and staffing. Congress readily appropriated funds for the Forest Service to hire a large work force of foresters and road engineers to prepare timber sales and design the necessary road system. This funding has allowed the agency to execute its own view of its professional mission -- to manage the forests.

With the expansion of its timber and road programs came the creation of vested bureaucratic and political interests for continuing high timber harvest levels. Timber industry firms,

workers and local communities became dependent on national forest timber. A strong constituency for more logging on the national forests was created. A provision of federal law that allocates 25 percent of gross timber receipts from the national forests to certain state and county governments is a powerful force causing these jurisdictions to push for maximum harvest levels, without regard to whether harvests lose money for the federal treasury.

For bureaucratic and philosophical reasons, the Forest Service has incentives to spread its timber management activities across as many acres as possible. This is done regardless of the consequences for federal taxpayers and -- in what to many may be a surprising consequence -- regardless of the ability of the forests to sustain timber yields in the future.

On paper, the Forest Service is required to show that its practices will result in "a non-declining even flow" of timber over the years. On the ground, political pressures force the agency to maximize harvest levels now. Forest supervisors know they will be judged on their ability to "get the cut out," i.e. to meet their timber sale targets. Many artifices have been produced sustained yield calculations that will support high levels of logging in the present.

One of the most notorious is the "allowable cut effect," which lets forest manager claim in advance -- in the form of boosted timber sale quantities -- the prospected increases in timber growth that are supposed to result from management activities such as thinning. On the Tongass one of the so-called "added investments" used to justify a permanent appropriation for the Tongass Timber Supply Fund was "precommercial thinning." According to TUMP, Section 705, each year the Forest Service should spend \$3.5 million to boost Tongass sale quantities that cannot attract buyers.

The allowable cut effect does more than artificially boost potential sale quantities. It creates an irresistible incentive for the Forest Service to engage in intensive management on as many acres as possible, even though such investments make economic sense only on a few productive sites. The pressure to maximize current harvest levels causes forest managers to retain lands in the timber base even when site conditions make reforestation difficult and jeopardize attainment of future timber harvest goals.

H.R. 987 deserves support because it removes the incentives for the Forest Service to pursue its institutional interests at the cost of the public interest, taxpayer dollars, the future of the last largely intact temperate zone rain forest on this planet.

Change of Circumstances

What the public demands from its national forests in Alaska has been changing in fundamental ways, especially over the last two decades. When it comes to two long-term timber sale contracts on the Tongass, the Forest Service response has been to resist change almost to the point of intransigence. The agency has even ignored an express congressional directive to bring the contracts into compliance NFMA standards and guidelines and to eliminate the significant differences between long-term sales and new, short-term sales on the Tongass.

Since 1976, when Congress passed the National Forest Management Act ("NFMA" P.L. 94-588) the Forest Service has had seven significant opportunities to implement the explicit congressional instruction on the long-term contracts but changes have been minimal. The agency has not addressed the substantial differences between long-term sales and new, short-term purchasers.

The House of Representatives recognized this on July 27, 1988 when it passed H.R. 1516, the Tongass Timber Reform Act of 1988, by a vote of 361 to 47. Title II of H.R. 1516 set out a congressional finding that illustrates the need for change on the Tongass:

The Congress finds and declares that changes in the long-term timber contracts prevent proper management of the Tongass National Forest, have undermined fair competition in the southeast Alaska timber industry, and fail to provide a fair financial return to the United States, House Report 100-600, Interior Committee, May 4, 1988, at page 2.

That such a finding is necessary 13 years after the Forest Service was directed by Congress to make long-term timber sale contract modifications clearly demonstrates the extent to which the Forest Service has resisted change in the management of the Tongass.

This finding and the Interior Committee's report to the House present a clear and compelling case for the termination of long-term timber sale contracts in Alaska. Stated simply, these contracts fail to achieve their original goals; threaten other Alaskan industries dependent on access to natural resources; interfere with free market mechanisms; and, impair the ability of the United States, the State of Alaska, Alaskan native corporations, and other responsible parties to properly manage non-timber resources in Alaska.

The Interior Committee, The House Agriculture Committee and the House, however, chose not to order the termination of long-term contracts. Instead, they adopted a middle course setting

forth a process for contract revision and establishing goals for the renegotiation. The Secretary of Agriculture and the Forest Service was given a clear mandate by H.R. 1516 to address the necessary reforms through administrative action.

The Society supported that procedure and endorses the goals established by the Interior Committee and the House. If implemented, the contract modification provisions of H.R. 1516 would have provided significant relief to new, short-term timber purchasers, Alaskan Native corporations, non-timber users of the Tongass and the taxpayer.

To justify such relief, we need look no further than what the Forest Service itself told the United States District Court in Alaska in the case of Tenakes Springs et al. v. Courtright et al.⁷:

The APC contract is perhaps the greatest constraint on discretion of the Forest Service. . . the Forest Service has little discretion (in determining where harvests will occur) to other than temporarily defer certain areas in the current plan. . . (note and emphasis added).

The Society could not have stated it better.

The window of opportunity for renegotiation of the long-term contracts has passed. While the modification of these agreements through enactment of H.R. 1516 appeared both reasonable and necessary to preserve and protect an important public resource, the continual delay of reform of the Tongass is no longer justified.

Enactment of a renegotiation provision now could hopelessly confuse and confound the on-going revision of the Tongass Land Management Plan process and the extensive public involvement it has fostered. The planning process should proceed without further congressional intervention and without the encumbrances of Section 705 (a) and Section 705 (d), and the long-term contracts. Therefore, we support Section 104 of H.R. 987 that directs the Secretary of Agriculture to terminate the long-term contracts no later than 90 days after enactment.

⁷J86-0024 District of Alaska (1986) at 4, 6, Defendant's Memorandum in Opposition to Plaintiffs Motion for Summary Judgement.

The following sections outline briefly the constraints imposed by the long-term contracts. These constraints must be removed to assure that the Tongass' timber and non-timber resources can be managed in the public interest.

Forest Management

The two long-term timber contracts granted the purchasers unprecedented control over the management of the Tongass National Forest.

In 1976 when NFMA was enacted, there were significant differences between the long-term and new, short-term sales on the Tongass. For example the long-term sales allow for an exceptional degree of purchaser control over harvesting terms, while purchasers of other, short-term sales on the Tongass are limited to areas and terms the Forest Service sets for each sale. This purchaser control allows the long-term contract holder -- not the Forest Service -- to select which areas to log, when to log, or whether to simply refuse to log areas they find economically unattractive. Short-term purchasers have no such discretion.

The long-term timber sale contracts on the Tongass prevent sound management and planning for the future of national forestlands. Briefly, the long-term contracts cause the following impediments to proper management of the Tongass:

- o Requirement of sale (or release) of a fixed amount of timber regardless of actual market demand.
- o Requirement to offer for sale sensitive areas that might otherwise be reserved from harvesting, such as Lisianski River, Kadashan River, and Nutkwa River.
- o Discretion afforded purchaser to select among timber stands within its allotment and cut only the best timber stands, thus "high-grading" the timber resource.
- o Separate planning process for long-term contracts that interferes with the NFMA planning process and enforcement of the National Environmental Policy Act (NEPA).

The existence of such extraordinary provisions explains the motivation of Congress in writing Section 15(b) into NFMA. If Section 15(b) of NFMA had been faithfully implemented, these provisions would have been eliminated.

Fair Competition

There are three principal reasons why the long-term contracts are manifestly unfair to other timber purchasers on the Tongass. The long-term contracts:

- o Provide a natural monopoly to the contract holders in the form of large, extensively controlled, exclusive timber supplies available at bargain prices.
- o Allow log-term contract holders to harvest timber without compliance with procedures standards applied to every other purchaser, including appraisals, deposits, timber accounting and administrative rules.
- o Provide long-term timber contract holders with lower stumpage prices and highly advantageous rate redetermination provisions that allow prices to be reduced to minimum rates during falling markets.

Pricing practice were a key element in the Reid Brothers lawsuit against the two companies and the subsequent Forest Service Reid Brothers review team centered its recommendations on pricing reforms to assure fair competition. Unfortunately, Forest Service management chose to ignore the recommendations of the Reid Brothers review team just as it ignored the congressional directive contained in Section 15(b) of NFMA.

When the House Interior Committee reported H.R. 1516 to the full House, it wisely embraced the original intent of Section 15(b) of NFMA -- economic parity between long and short term purchasers on the Tongass -- and the Reid Brothers review team recommendations. It is unfortunate that the Senate failed to act on H.R. 1516. Because together the renewed mandate for change and the Reid Brothers review team recommendations would have provided the Secretary a clear road map for establishing fair competition in the southeast Alaska timber economy.

However, the forest planning process is well along and the opportunity for revising the contracts to be responsive to this process has passed. Now, the only reasonable alternative is to terminate the contracts as quickly as possible.

Thus The Wilderness Society is not supportive of section 2 of H.R. 1368 pending before this Committee. We would recommend consideration of the contract termination language contained in H.R. 987. Honest forest planning and open competition cannot take place on the Tongass National Forest as long as the 50 year long-term contracts are in effect. Provisions of section 2 of H.R. 1368 would be significantly subjugated to the need to meet the demands of the long-term contract holders.

Terminating the Contracts

United States Supreme Court decisions on whether the United States may terminate contracts to which it is itself a party suggest that H.R. 987 is constitutional. Because H.R. 987 is directed at the broad and general public purposes of improving the management of an important public resource and promoting a sustainable and diversified economy dependent upon access to that resource, the Tongass Timber Reform Act will withstand any due process attacks on its constitutionality. Congress always has the authority to terminate contracts between the Federal government and private commercial interests, when that action is in the public interest.

As the record of this and several previous congressional hearings on the Tongass and its timber industry demonstrate conclusively, long-term timber contracts on the Tongass are obsolete. In their present form, the continued existence of the long-term timber contracts on the Tongass is clearly not in the public interest.

As demonstrated by the House Interior Committee report (House Report 100-600, 100th Congress, Second Session), there is an overwhelming record supporting the immediate modification of these agreements to remove the impediments to proper forest management and establish fair competition in the southeast Alaska timber market.

The Forest Service's refusal to implement Section 15(b) of the 1976 National Forest Management Act (NFMA) -- requiring the agency to renegotiate these contracts to bring them into compliance with NFMA guidelines and standards -- cannot be explained away. There is a great disparity between the opportunities available for long- and short-term purchasers of timber on the Tongass. Continuing such advantages is contrary to public policy. Because of the extensive record supporting the recommended changes in the long-term contracts and common sense process established by H.R. 1516 to achieve those ends, it is our considered opinion that the courts will find H.R. 987 to be both reasonable and necessary and, therefore, constitutional.

Whether the enactment of H.R. 987 is constitutional does not shield the United States from litigation for damages in the United States Claims Court. The United States is immune from suit except in those instances in which it consents to be sued. The Tucker Act, 28 U.S.C. Section 1346, 1491, granted consent to sue the United States in the U.S. Claims Court for alleged breach of contract claims.

Enactment of H.R. 987 cannot and should not extinguish the two Alaskan pulp mills' right to establish jurisdiction in the Claims Court. However, their claims for damages may not succeed. In fact, since the Civil War the "sovereign act" doctrine has held that the United States cannot be held liable for damages on breach of contract when breach results from its actions in the national interest and public and general application. Again, the courts will look behind the law to determine whether it is directed at a broad public purpose. Because H.R. 987 is directed at improving the management of an important public resource, it clearly fits the court's criteria of the "sovereign act" doctrine. Therefore, it is reasonable to conclude that the United States will not incur any liability for its actions in protection the national interest in Alaska.

Finally, it is appropriate to review the unlikely possibility that the courts will find that congressional modification or termination of long-term timber sale contracts is not in the broad public interest. As stated previously, an adverse determination is improbable, because of the extensive public record documenting the counter-productive effects of the long-term contracts. Notwithstanding this reservation, we have reviewed the precedents to determine what, if any, damages might be recoverable against the United States under a worst case scenario.

The case of Hedstrom Lumber Co. v. United States, 7 Cl. Ct. 16 (1984), provides the best evidence of how the Claims Court would compute compensation, if any, for modification or termination of long-term timber contracts in Alaska. Here, Congress voluntarily directed compensation to timber companies affected by the passage of the Boundary Waters Canoe Wilderness Act.

But the Claims Court construed that direction so that compensation was still severely limited. The court rejected just compensation formulas based on anticipated or lost profits as compensation. Instead, the court awarded Hedstrom the replacement value for the timber under contract. To determine replacement value, the court used the difference between the contract stumpage price -- the price paid for the right to harvest standing trees -- and average bid price for replacement timber. The court also awarded actual road construction costs and the costs of additional transportation.

Applying the Hedstrom approach to the two long-term timber contracts in Alaska is difficult, because of uncertainties surrounding harvest rates and other factors that may influence the calculation. However, a reasonable estimate of the compensation can be calculated by determining the difference between the stumpage rates available under long-term sales and the cost of replacement timber. This additional compensation will only be available until the respective rate redetermination in 1989 and 1990. At that time, the cost of timber available under competitive bids should be comparable to the price that would have applied to the long-term sales. Therefore, after 1990, there should be no "additional cost" for replacement of long-term sale timber and no compensation would be required.

Conclusion

Enactment of H.R. 987 and sections 3 and 4 of H.R. 1368 will give the Forest Service the flexibility in the land planning revision process to protect additional high value fish and wildlife habitat areas in order to restore a more appropriate balance between commodity production and the other multiple uses of the Tongass.

The Tongass Timber Reform Act, H.R. 987, gives the Congress a thoughtful and productive remedy for the serious public policy problems presented by the long-term timber sale contracts on the Tongass National Forest. Enactment of H.R. 987 with section 4 of H.R. 1368 included will provide a significant first step in correcting these deficiencies.

Congress should enact H.R. 987, the Tongass Timber Reform Act, to save important natural resources and taxpayer dollars.

SHEE ATIKA, INCORPORATED

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SITKA, ALASKA 99835
PHONE (907) 747-3539

March 14, 1989

The Honorable Harold L. Volkmer
Chairman, Subcommittee on Forests,
Family Farms and Energy,
House Committee on Agriculture
1336 Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 987

Dear Congressman Volkmer:

I am the President and Chief Executive Officer of Shee Atika, Inc., the corporation formed for the Natives of the area of Sitka, Alaska, pursuant to the provisions of the Alaska Native Claims Settlement Act. Under the provisions of that act Shee Atika, Inc., received as its major entitlement, approximately 23,000 acres on Admiralty Island (referred to herein as "Cube Cove"). Sealaska, the regional corporation formed for the Natives of Southeast Alaska under the Settlement Act, received the subsurface estate to the lands conveyed to Shee Atika. Shee Atika, as an "urban corporation", does not share in the general revenue provisions of that act.

Shee Atika's right to harvest its timber at Cube Cove was bitterly contested by several groups. Shee Atika's land is an in-holding within the Admiralty Island National Monument. After the Cube Cove lands were conveyed to Shee Atika, pursuant to an express Congressional mandate in the Alaska National Interests Lands Conservation Act, it took six years of litigation before Federal and State agencies and courts, including two appeals to the United States Circuit Court of Appeals of the Ninth Circuit, before Shee Atika was allowed to move forward with the harvesting of its resources. Shee Atika was in a de facto state of bankruptcy before it was able to commence full scale logging operations.

I understand that your subcommittee is conducting hearings on H.R. 987 and that the Sealaska Corporation seeks an amendment to H.R. 987 that would provide for an exchange of its subsurface holdings under the lands conveyed to Shee Atika for subsurface in the Greens Creek area.

The Honorable Harold L. Volkmer
March 14, 1989 - Page 2

Shee Atika does not oppose Sealaska receiving an interest in the Greens Creek subsurface, but Shee Atika strongly opposes any amendment that would transfer the ownership of the subsurface estate under its Cube Cove property to the Federal government until logging operations at Cube Cove have terminated.

A transfer of the subsurface estate to the Federal government would result in that estate becoming part of the Admiralty Island National Monument. Regardless of how the language was drafted in an effort to assure that Shee Atika's operations would not be subject to a renewed barrage of litigation, we can assure you based on past history that such lawsuits would be filed.

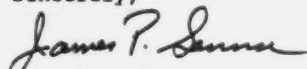
The results would be further harassment of Shee Atika and, in all probability, injunctions until the issues were litigated. I point out that under federal rules, an environmental group is required to post only a nominal bond to secure an injunction - even if the party enjoined may face the loss of thousands, if not millions of dollars as a result of that injunction.

In the previous litigation the plain, clear language of the statute eventually was held to control - and Shee Atika was successful, but it took six years of litigation. Therefore, plain, clear, convincing language in any proposed amendment is absolutely no guarantee. If the subsurface estate is transferred to the Federal government before Shee Atika concludes harvesting its timber, there is only one guarantee that can be made - that is that litigation to preclude Shee Atika from harvesting its timber will ensue.

I request that this letter be included in the hearing record on H.R. 987.

Thank you for your consideration.

Sincerely,



James P. Senna
President/C.E.O.

CRS Issue Brief

Tongass National Forest Issues

Updated March 9, 1989

by
Adela Backiel
Environment and Natural Resources Policy Division



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Tongass National Forest Issues

SUMMARY

Section 705(a) of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA) provides that "the Secretary of the Treasury shall make available to the Secretary of Agriculture the sum of at least \$40,000,000 annually or as much as the Secretary of Agriculture finds is necessary to maintain the timber supply from the Tongass National Forest to dependent industry at a rate of 4.5 bbf [billion board feet] per decade... such funds shall not be subject to deferral or rescission under the Budget Impoundment and Control Act of 1974, and such funds shall not be subject to annual appropriation."

These provisions, in addition to two 50-year timber sale contracts negotiated by the Forest Service in the 1950s, have caused controversies over the management of the land and resources of the Tongass National Forest. Of concern to Congress are the apparent financial losses of Tongass timber sales, primarily those associated with the long-term contracts; the permanent annual appropriation of \$40,000,000 and a mandated timber supply target that seems to some to favor timber management over other resource uses; and the economic stability of southeast Alaskan communities that are dependent upon the Tongass National Forest for timber, fisheries, and tourism.

Those who favor revisions in the timber fund, the Tongass timber supply level, and the long-term contracts generally include conservation, environmental, fish, wildlife, recreation, and some professional resource groups. These groups want to repeal Section 705(a) of ANILCA so that the Tongass is placed on an equal footing with the other national forests in the appropriations process. Generally, they maintain that these provisions cause the timber resource to be viewed as the primary resource on the Tongass and that other resource values, such as fish, wildlife, recreation, water quality, and wilderness, do not receive adequate management emphasis or funding.

Those who oppose most revisions to the Tongass timber provisions, primarily the timber industry and some timber dependent communities in southeast Alaska, view the ANILCA timber provisions as the compromise that was struck in an effort to balance the Tongass wilderness designations with stability for the timber industry. They maintain that if Section 705 is opened to amendment, then amendment of the wilderness designations in ANILCA should also be considered. They also contend that the 50-year contracts are necessary to assure the timber supply to the industry in southeast Alaska.

Four bills have been introduced to amend the Tongass provisions of ANILCA by repealing or modifying Section 705(a), renegotiating or cancelling the 50-year contracts, designating wilderness, or placing a moratorium on timber harvesting in certain areas. All these proposals significantly affect existing forest management and planning activities. A hearing on the Senate bills will be held Mar. 28, 1989, before the Senate Committee on Energy and Natural Resources. Hearings were held Mar. 14 and Mar. 15, 1989, by the House Committee on Interior and Insular Affairs and the House Agriculture Committee, respectively.

ISSUE DEFINITION

The Alaska National Interest Lands Conservation Act of 1980 (ANILCA) included special provisions for management of the Tongass National Forest, the largest national forest in the United States. These provisions include a permanent appropriation for timber management and a mandate to make 4.5 bbf of timber available each decade to the timber industry. The possible amendment of these provisions, the renegotiation or cancellation of two 50-year timber contracts, plus the possible designation of certain lands as special management areas or wilderness, are being considered by Congress and debated among natural resource interest groups.

BACKGROUND AND ANALYSIS

Southeast Alaska, in which the Tongass National Forest is located, is an archipelago of islands and a narrow strip of mainland along the Canadian Pacific coast. It is approximately 500 miles in length and 100 miles in width. Dense forest, mostly of old growth spruce, hemlock, and cedar covers most of the area, with the higher altitudes of the mainland mountains generally under a perennial blanket of snow, ice, and glaciers. The major industries of southeast Alaska are fishing, tourism, and timber product harvesting and processing.

The Tongass National Forest is the Nation's largest national forest. It is one of two national forests in Alaska and comprises 16.7 million acres, 2.7% of the entire State and 85% of southeast Alaska. Approximately 5.5 million acres (33%) of the Tongass are part of the National Wilderness Preservation System in which certain uses, such as timber harvesting, are not allowed. Another 4.2 million acres (26%) are managed in an unroaded condition; 7 million acres (41%) are available for timber management and other multiple uses.

Timber Industry in Southeast Alaska

After repeated attempts to establish a timber and pulp industry in southeast Alaska, the Forest Service finally was successful in the 1950s when it entered into four long-term (50-year) timber sale contracts. A long-term, guaranteed supply of timber was viewed as necessary to attract the timber industry to Alaska. All four contracts required the building of pulp mills.

One contract was cancelled, another completed in 1981; the remaining two cover the majority of timber harvesting in southeast Alaska. These contracts are held by the Louisiana Pacific-Ketchikan company (LP-K) in Ketchikan and the Alaska Pulp Corporation in Sitka (a Japanese-owned firm), and dominate the timber industry in southeast Alaska by controlling all of the regional pulp mill capacity. Together, these two contracts obligate a total of about 13.3 bbf to be harvested over 50 years. One contract expires in 2004, the other in 2011.

Japan and the Pacific Rim countries are the principal markets for Alaska wood products. The three primary products made from southeast Alaskan timber are pulp,

roundlogs, and cants (semi-processed rough sawn logs having at least two sides sawn). The majority of timber cut from Federal lands is subject to a primary manufacturing rule mandated by Federal regulation, which means most Tongass timber must be processed into either pulp or cants before being exported.

Native lands in southeast Alaska supply an increasing share of the timber harvested in southeast Alaska. Specifically, the Native harvest has increased the roundlog trade because private timber does not need to be processed before being exported. In 1987, Native timber harvest equalled about 335 million board feet (mmbf); this represents about 54% of the total timber harvest in southeast Alaska from all landownerships. The Forest Service estimates the long-term sustained yield capacity of Native lands to be 150 mmbf to 225 mmbf per year, based on a 70-120 year rotation.

Development of the Tongass Timber Provisions in ANILCA

The 365.5 million acres that make up Alaska were purchased by the United States in a treaty from Russia in 1867 and remained a territory until 1959, when Alaska became the 49th State. Alaska was 96% federally owned, the lands primarily administered by the Department of the Interior, until disposal of large areas of Federal lands to the new State and the Natives was authorized by the Statehood Act and the Alaska Native Claims Settlement Act of 1971 (ANCSA).

The Alaska National Interest Lands Conservation Act of 1980 (ANILCA) was the result of years of debate on the designation and management of Alaska Federal lands. Two titles in ANILCA have provisions relating to the Tongass National Forest. Title V, entitled National Forest System, added acreage to the system, established Misty Fjords and Admiralty Island National Monuments, both located in the Tongass, and authorized other management provisions. Title VII of ANILCA, entitled the National Wilderness Preservation System, contained various wilderness designations, including parts of the Tongass National Forest, and also included special provisions for management of the timber resources of the Tongass.

Section 705(a) authorized a National Timber Utilization Program for the Tongass, commonly referred to as the Tongass Timber Supply Fund. This Section mandated an annual permanent appropriation "at least \$40,000,000 or as much as... is necessary to maintain the timber supply from the Tongass National Forest to dependent industry at a rate of 4.5 bbf per decade" (averaged at 450 mmbf per year).

Section 706 established a reporting process to Congress regarding the timber situation on the Tongass. In Section 706(a), the Secretary of Agriculture was directed to report annually to Congress on timber supply and demand. Section 706(b) required after 5 years, and every 2 years thereafter, a review and evaluation of management of the Tongass. Section 706(c) required that the 706(b) report must be conducted in "cooperation and consultation" with certain named parties: the State, affected Native Corporations, the southeast Alaska timber industry, the Southeast Alaska Conservation Council (SEACC), and the Alaska Land Use Council.

Because Congress considered the Tongass provisions in conjunction with the other provisions of ANILCA, particularly those dealing with wilderness, the timber provisions of ANILCA are often considered to be the result of a "package deal" -- all the pieces of ANILCA were the result of a total compromise.

However, the Tongass Timber Supply Fund and the 4.5 bbf language were added late in the legislative process; the final language that was adopted was not accompanied by explanatory committee report language or extended floor debate. Subsequently, there have been differing interpretations by the Forest Service, industry, conservation, and other interested and affected groups about the implementation of the Tongass timber provisions.

While Congress was debating ANILCA, the Forest Service was developing the Tongass Land Management Plan (TLMP), a long-term plan to guide management and use of the land and resources of the Tongass National Forest, to help Congress in its deliberations of ANILCA by providing data and analysis about lands identified for possible wilderness designation or as other conservation system units. The 4.5 bbf per decade provision in ANILCA and the \$40,000,000 permanent appropriation is clearly linked to the data from TLMP.

The development of the permanent appropriation was described by the General Accounting Office (GAO) in 1988:

The Forest Service projected it would need about \$14.8 million annually to finance its "normal" investment activities -- timber sale preparation activities for timber stands that could be economically harvested with commonly available logging techniques and equipment. The Forest Service estimated this investment would produce about 338 mmbf in annual timber sales. To produce the additional 112 mmbf needed to achieve the 450 mmbf goal, the Forest Service estimated an added investment of about \$20.4 million annually would be needed. In total, the Forest Service estimated it would need about \$35.2 million annually in 1978 dollars, or \$40 million in 1980 dollars, to finance its timber sale activities in the Tongass.

The primary purpose of the Fund was to improve the attractiveness of economically marginal timber stands, thereby stimulating additional timber harvests so that 450 mmbf could be made available for harvest each year. This was to be done by making timber more accessible and economical through such measures as pre-roading, pre-commercial thinning, and using advanced logging techniques. According to GAO, the Forest Service could have met total timber demand without added investments between 1982 and 1986.

(For additional background and information on southeast Alaska, TLMP, and the Tongass timber provisions of ANILCA, see CRS Report 87-434 ENR, The Alaska National Interest Lands Conservation Act: Legislative History of the Tongass Timber Provisions, by Adela Backiel and Pamela Baldwin. May 19, 1987.)

Issues in the Debate

The management of the Tongass National Forest is under scrutiny because of allegations of financial losses to the taxpayers, concern about a multiple-use agency giving more emphasis to one resource (timber) over others (e.g. fish, wildlife, recreation) in their management activities, and the potential designation of additional wilderness areas in southeast Alaska and the effect this would have on the economic stability of local communities.

Tongass Timber Supply Fund and Timber Supply Level

As mentioned, Section 705(a) of ANILCA provides that "the Secretary of the Treasury shall make available to the Secretary of Agriculture the sum of at least \$40,000,000 annually or as much as the Secretary of Agriculture finds is necessary to maintain the timber supply from the Tongass National Forest to dependent industry at a rate of 4.5 bbf per decade... such funds shall not be subject to deferral or rescission under the Budget Impoundment and Control Act of 1974, and such funds shall not be subject to annual appropriation."

These provisions, in addition to the 50-year timber sale contracts, have caused major controversies over the management of the land and resources of the Tongass National Forest. These controversies include the apparent financial losses of Tongass timber sales, primarily those associated with the long-term contracts; the permanent appropriation of \$40,000,000 and a mandated timber supply target which seems to some to favor timber management over other resource uses and limits the options considered in the forest planning process; and the role of the Federal Government in maintaining the economic viability of southeast Alaska communities that are dependent upon the Tongass National Forest for timber, fisheries and tourism.

The price of timber in the long-term contracts has averaged between \$2.00 and \$3.00 per thousand board feet (mbf) since 1982 when the companies received an "emergency rate redetermination" for the contracted timber because of low timber demand; the prices previously had ranged between \$100 to \$200 per mbf. The long-term contracts are renegotiated every 5 years. Because the renegotiation of the LP-K contract seems likely to be delayed, the Forest Service, in an "interim" rate redetermination that began in August 1988 raised the price for contracted timber to an average of \$49.14 per mbf. This average price will remain in effect until the renegotiation of the LP-K contract is completed.

The Wilderness Society, the Forest Service, and GAO have all reported financial losses for the Federal Government from selling timber on the Tongass National Forest. The Wilderness Society reported that the Forest Service lost over \$50 million on the Tongass National Forest in FY86.

The Forest Service and GAO reports are based on the new Timber Sale Program Information and Reporting System (TSPIRS) developed jointly by these two agencies at the request of the House Appropriations Committee to identify actual timber sale costs and receipts. Using TSPIRS, GAO showed a loss on the Tongass during 1986 of \$22 million while the Forest Service showed a loss of \$12 million. The difference

between the two reports is that the GAO included the Washington and regional offices overhead costs and the costs of timber research in their calculations, while the Forest Service did not. The Forest Service numbers have been modified recently due to the interim price adjustment of the LPK 50-year contract. The Forest Service now estimates a loss of \$1.9 million, after subtracting their revenue sharing payments to the State.

Those who favor revisions in the Fund, the long-term contracts, and reductions in the timber supply level generally include conservation, environmental, fish, wildlife, recreation, and some professional resource groups. These groups want to repeal Section 705(a) of ANILCA so that the Tongass is placed on a more equal footing with the other national forests in the appropriations process. They maintain that these provisions cause the timber resource to be viewed as the primary resource on the Tongass and that the other resources, such as fish, wildlife, recreation, water quality, and wilderness, do not receive adequate management attention and funding. They also contend that the 50-year contracts contribute to a timber primacy attitude, inhibit independent and flexible forest management decisions, and cause major discrepancies between timber sale costs and receipts.

Those who oppose most revisions to the Tongass timber provisions, primarily the timber industry and some timber dependent communities in southeast Alaska, view the ANILCA timber provisions as the compromise that was struck between the Tongass wilderness designations and stability of the timber industry. They maintain that if these provisions are open to amendment, then the wilderness designations in ANILCA should also be opened for possible amendment. Initially, the industry wanted to maintain the status quo for all the timber provisions, but is now more agreeable to the repeal of the Tongass Timber Supply Fund, although not the 4.5 bbf available timber supply target. It also contends that the assured timber supply provided by the 50-year contracts is necessary to maintain the timber industry in southeast Alaska. In addition, the timber promised in the contracts has been used as collateral for the companies, especially recently during times of low timber demand.

Four bills introduced in the 101st Congress would repeal the Tongass Timber Supply Fund and put the Tongass National Forest back into the normal appropriations process. H.R. 987, H.R. 1368, and S. 346 would also repeal the targeted timber supply level of 4.5 bbf per decade. S. 237, however, would keep the 4.5 bbf per decade goal when there was sufficient market demand, available appropriations, and the timber sale offerings within the allowable sale quantity of timber identified in TLMP. S. 346 and H.R. 987 would terminate both 50-year timber contracts; H.R. 1368 would renegotiate the contracts by including certain provisions.

Forest Planning

The Tongass Land Management Plan of 1979 was the first completed forest plan in the United States. In accordance with the National Forest Management Act of 1976, this plan will be updated in 1989-90. A draft plan is scheduled to be released in December 1989. This updated plan will, according to the Forest Service, incorporate new data, modeling and planning techniques, and an extensive public participation process. The Forest Service also stated that alternative goals and

activities under consideration in the plan will include departures from the ANILCA-mandated 4.5 bbf per decade.

Many groups, including the timber industry, some resource professional societies, and the Forest Service contend that no action should be taken by Congress regarding the Tongass until this planning activity is completed. Others, such as many environmental, conservation, wildlife, fisheries, and recreation groups, believe that despite the planning revision activities, the special provisions relating to timber harvesting on the Tongass should be repealed so that management decisions would be made through the planning process, rather than having management options limited by law. Both sides, for the most part, agree that the special timber management provisions of ANILCA actually restrict the effectiveness of the planning process.

While none of the bills proposed in the 101 Congress that deal with the Tongass would actually change or amend the forest planning process, all would have an effect on the draft management alternatives considered in TLMP because each somehow would change the status quo. In addition, S. 346 and H.R. 1368 call for revision of TLMP so that it would be in conformance with the bill provisions and other laws applicable to the national forests.

Wilderness

In considering ANILCA, debate focused on which areas would be designated as wilderness or other conservation system units, and what agency would manage each area. Several areas in southeast Alaska and the Tongass National Forest were considered for wilderness during the ANILCA debate, and 5.5 million acres were designated. The designation debate usually centered around the size of an area, its resources, and its appropriateness as wilderness, but also included the effects of wilderness designations on the timber industry.

The effects of the potential wilderness designations were most often measured in terms of the amount of timber that would be available from the Tongass. A common concern to Members was that jobs in the timber industry should not be lost due to a decrease in the available timber as a result of wilderness designations, but at the same time other resource values would be protected. The proposals that were considered focused on the number and size of wilderness areas, additional appropriated funds for forest management, and incentives for the timber industry. The compromise reached in Sections 705 and 706 included 5.5 million acres of wilderness and a permanent fund for timber management on the Tongass.

The bills introduced in the 101st Congress take different approaches to additional wilderness designation. H.R. 987 designates approximately 1.7 million acres of land in 23 areas as part of the National Wilderness Preservation System. S. 346 places a moratorium on the sale or harvest of timber or any associated development on 23 areas during the revision of TLMP. H.R. 1368 and S. 237 do not include any wilderness or special management area provisions.

LEGISLATION**H.R. 987 (Mrzek)**

Tongass Timber Reform Act. Amends the Alaska National Interest Lands Conservation Act, designates certain lands in the Tongass National Forest as wilderness, and for other purposes. Introduced Feb. 9, 1989; referred to Committee on Interior and Insular Affairs.

H.R. 1368 (Volkmer)

Tongass Timber Management Act. Amends the joint resolution of 1947 entitled "Joint Resolution to authorize the Secretary of Agriculture to sell timber within the Tongass National Forest," and for other purposes. Introduced Mar. 9, 1989; referred to Committee on Interior and Insular Affairs and the Committee on Agriculture.

S. 237 (Murkowski)

Reforms the Tongass Timber Supply Fund. Introduced Jan. 25, 1989; referred to Committee on Energy and Natural Resources. Subcommittee on Public Lands, National Parks, and Forests held hearings Feb. 28, 1989.

S. 346 (Wirth)

Tongass Timber Reform Act. Amends the Alaska National Interest Lands Conservation Act and for other purposes. Introduced Jan. 25, 1989; referred to Committee on Energy and Natural Resources. Subcommittee on Public Lands, National Parks, and Forestry held hearing Feb. 28, 1989.

CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS

U.S. Congress. House. Committee on Agriculture. Subcommittee on Forests, Family Farms, and Energy. Management of the Tongass National Forest. Hearings, 100th Congress, 2d session, on H.R. 1516. May 25 and 26, 1988. Washington, U.S. Govt. Print. Off., 1988. 1079 p.
"Serial No. 100-86"

U.S. Congress. House. Committee on Interior and Insular Affairs. Subcommittee on Energy and the Environment. Tongass Timber Reform Act. Hearings, 100th Congress, 1st session, on H.R. 1516. May 19 and 21, 1987. Washington, U.S. Govt. Print. Off., 1987.
"Serial no. 100-15"

---- Tongass Timber Reform Act; report, together with minority views, on H.R. 1516. May 4, 1988. Washington, U.S. Govt. Print. Off., 1988. 57 p. (100th Congress, 2d session. House. Report 100-600, Part 1)

IB89055

03-09-89

CHRONOLOGY

- 12/--/89 --- Draft of the revision of the Tongass Land Management Plan scheduled to be completed.
- 12/--/80 --- Congress enacted the Alaska National Interest Lands Conservation Act (ANILCA), added 3.3 million acres to the National Forest System, designated 5.5 million acres of wilderness in the Tongass National Forest, and provided an annual permanent appropriation of \$40 million to maintain the timber supply to the dependent industry at a rate of 4.5 bbf.
- 03/--/79 --- Tongass Land Management Plan completed.
- 12/--/71 --- Congress enacted the Alaska Native Claims Settlement Act (ANCSA), granting title to 40 million acres of land, providing more than \$900 in payment to Alaska Natives, and providing for identification of 80 million acres of Federal lands to be considered for inclusion in conservation system units.

FOR ADDITIONAL READING

- U.S. Department of Agriculture. Forest Service. Status of the Tongass National Forest. 1987 report. March 1988. Alaska Region MB 35. 76 p.
- U.S. General Accounting Office. Tongass National Forest: timber provisions of the Alaska Lands Act need clarification. April 1988. 62 p. GAO/RCED-88-54
- U.S. Library of Congress. Congressional Research Service. The Alaska National Interest Lands Conservation Act: legislative history of the Tongass timber provisions, by Adela Backiel and Pamela Baldwin. [Washington] May 19, 1987. 105 p.
- Proposed statutory termination of long-term timber sale contracts in the Tongass National Forest: constitutional issues, common law damages, and computation of just compensation, by the American Law Division. [Washington] Sept. 17. 1987. 20 p.
- The Wilderness Society. America's vanishing rain forest. A report on Federal timber management in southeast Alaska. April 1986. 215 p.

Wildlife and Old-Growth Forests in Southeastern Alaska

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ABSTRACT: The archipelago and coastal mainland that comprise southeastern Alaska include millions of hectares of old-growth forest, most of which is administered by the U.S. Forest Service. This old-growth forest includes a mosaic of different stand types that vary in form, function, and value to different species of wildlife. Certain types of old growth, particularly low elevation, high-volume stands (productive sites with large trees), are rare in the national forest and are heavily used by numerous wildlife species including the Sitka black-tailed deer (*Odocoileus hemionus sitkensis*), brown bear (*Ursus arctos*), and bald eagle (*Haliaeetus leucocephalus*). Scheduled clearcut logging of old-growth timber on the Tongass National Forest will not affect a large percentage of the land area but will have significant and long-lasting effects on our inventory of certain old-growth types and their associated wildlife species. Old growth should be recognized as a diverse and complex mosaic of forest types. Maintenance of adequate populations of many wildlife species in southeastern Alaska will require maintaining the natural diversity of forest types that comprise the old-growth ecosystem.

INTRODUCTION

Southeastern Alaska is characterized by rugged mountains, rain-shrouded forests, and thousands of kilometers of marine shoreline. At nearly 7 million ha, the Tongass National Forest is the largest national forest in the United States and encompasses more than 90 percent of the land base of southeastern Alaska. The Tongass is located along a narrow coastal band from Dixon Entrance north to Yakutat Bay and includes the islands of the Alexander Archipelago (Figure 1).

Although old growth is rare throughout most of North America today (Thomas et al. in press), old-growth rain forest is a predominant feature of southeastern Alaska. These forests provide valuable resources (e.g., salmon, timber, and wildlife) upon which many residents depend for their livelihoods. Old growth also provides important habitat for a variety of wildlife and fish species, as well as abundant recreational opportunities for local residents and increasing numbers of tourists.

FOREST ECOLOGY

What is an old-growth forest? In southeastern Alaska, old-growth forests, primarily western hemlock-Sitka spruce (*Tsuga heterophylla*-*Picea sitchensis*), have developed over centuries in the absence of widespread, catastrophic disturbances (e.g., wildfires). These

forests (Figure 2) are dynamic, steady-state forests (Bormann and Likens 1979) where the death of old trees is balanced by the growth of new trees. Seedlings, saplings, and pole-sized trees grow in the scattered openings that are created as large old trees die and fall to the forest floor. Trees of all ages occur in such stands, and the ages of dominant trees typically exceed 300 years. In some stands the oldest trees are more than 800 years old, 3 m in diameter, and 60 m in height.

Old-growth forests have broken, multilayered canopies through which sunlight penetrates to the forest floor. The forest floor of an old-growth stand is carpeted by an abundance of ferns, mosses, herbs, and shrubs (Alaback 1982). Lichens and fungi add to the ecological diversity found in old-growth forests as do standing snags and decaying logs, both on the ground and in streams. Old growth is structurally complex and provides unique habitat for many species of plants and animals (Franklin et al. 1981, Schoen et al. 1981, Meehan et al. 1984, Sigman 1985, Thomas et al. in press).

When old growth is clearcut, the ecological relationships on the site change dramatically. Following clearcutting in southeastern Alaska, herbs and shrubs grow abundantly and spruce and hemlock seedlings become established. After fifteen years saplings



FIGURE 1. Map of southeast Alaska.

dominate the site, competing with other plants for sunlight. By twenty to twenty-five years, young trees have shaded out most other plants. For another century or more the environment within the dark even-aged second-growth forest (Figure 3) remains unproductive for many other plants and animals (Wallmo and Schoen 1980, Alaback 1982). Though timber production is high in second growth, species richness (the number of different plant and animal species) is low. Because it takes centuries to develop the ecological characteristics of old growth, stands that are clearcut every 100 years will never again regain the unique

characteristics of old growth (Schoen et al. 1981, Wallmo 1982).

Old-growth forest is highly variable. It consists of a mosaic of different stands ranging from riparian spruce stands to poorly drained muskeg-bog communities. On productive sites we find tall large-diameter spruce and hemlock trees (Figure 2). These forests contain a large volume of wood per hectare and are termed "high-volume" stands (stands with greater than 74,000 bf/ha). In contrast, trees are smaller and grow more sparsely on low-quality sites. These forests are termed "low-volume" stands.

Though Tongass National Forest is the largest national forest in the United States, most of the Tongass is either nonforest or scrub forest (e.g., small, scattered trees of no commercial value). Only one-third of the Tongass land base is classified as commercial forest land, most of which is low-volume timber (U.S. Forest Service 1978) (Figure 4). Significantly, only 4 percent of the entire Tongass land base is composed of high-volume old growth.

WILDLIFE — FOREST RELATIONSHIPS

The Sitka Black-Tailed Deer

For many years deer were thought to be a species adapted to early stages of forest development and thus were believed to benefit from logging (Leopold 1950). In the states of Washington and Oregon, for example, deer are abundant in areas of recent clearcutting (Brown 1961). There, where most lowland old growth is long gone and snow on the winter range is rare, a patchwork of young clearcuts provides more deer forage than the second-growth forests that now cover much of the landscape.

In southeastern Alaska, however, the situation is different. Here, winter snow accumulation and the availability of high-quality winter range are the most important factors influencing deer populations (Klein and Olson 1960, Wallmo and Schoen 1979, Hanley and McKendrick 1985). The best winter deer habitat is found in old growth where food production is high and snow accumulation is low (Wallmo and Schoen 1980, Kirchhoff et al. 1983, Rose 1984). Though recent clearcuts, from three to twenty years of age, produce an abundance of potential deer forage, this is often unavailable because of deep snow (Kirchhoff and Schoen 1987). Regardless of snow conditions, however, deer forage is virtually nonexistent in even-aged, second-growth stands (Wallmo and Schoen 1980, Alaback 1982). These stands persist from about twenty-five years after clearcutting until they are cut



FIGURE 2. A high-volume old-growth forest in southeastern Alaska.



FIGURE 3. A seventy-year-old second-growth forest in southeastern Alaska.

again at rotation age, generally ninety to 125 years. In Alaska, information to date suggests that the benefits to deer of silvicultural management (e.g., thinning second growth) are marginal (Alaback and Tappeiner 1984) and the costs are high.

Though an array of habitat choices is available to deer in southeastern Alaska, these habitats vary in their ability to meet

the changing seasonal requirements of deer. During the summer and early fall, deer in Alaska use a variety of habitats including clearcuts, alpine, and low- and high-volume old-growth forest. Throughout winter and early spring, however, deer use old growth almost exclusively. And during winters with deep snow, deer prefer high-volume old growth over all other habitat types (Schoen et al. 1985).

The major reason for this selective use is related to a forest stand's ability to intercept snow. In low-volume stands with small trees and an open canopy, snow depths on the ground greatly reduce forage availability. Snow interception by the tall broad canopy of high-volume stands is much greater, resulting in lower snow depths and more available forage for deer (Kirchhoff and Schoen 1987).

Though high-volume old growth is important deer habitat, these same stands are also the most valuable for timber production. In the last three decades, the timber harvest in southeastern Alaska has focused on the relatively rare high-volume old growth (Hutchison and LaBau 1975), and this trend is continuing. In the next forty years, while only 5 percent of the low-volume stands are scheduled to be cut, about half of the remaining high-volume stands are scheduled for logging (U.S. Forest Service unpubl. data). This selective harvest will have significant long-term impacts on natural forest diversity and deer populations.

For example, more than three quarters of the commercial forest land in the Hawk Inlet watershed on Admiralty Island is scheduled for harvest over the next 100 years (Rideout et al. 1984). We predict that this level of cutting over the next century will reduce deer in Hawk Inlet to less than 20 percent of their current level (Schoen et al. 1985). In the next 100 years, if timber harvest proceeds as scheduled, deer populations throughout southeastern Alaska will be substantially reduced, along with hunting and viewing opportunities. Clearly the ability to maintain moderate to high population levels of Sitka black-tailed deer in southeastern Alaska is dependent on providing an abundance of high-quality old-growth winter habitat.

Other Wildlife Species

More than 350 species of birds and mammals occur in southeastern Alaska (Sidle and Suring 1986), and many make substantial use of old-growth forests

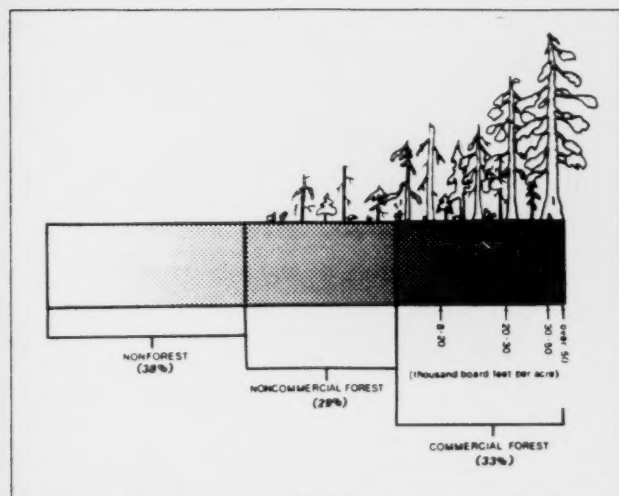


FIGURE 4. Proportion of different land and forest types on the Tongass National Forest, southeastern Alaska.

during their lives (Meehan et al. 1984, Sigman 1985).

Although grizzly bears have been reduced greatly throughout the lower forty-eight states, where they are now classified as threatened, in southeastern Alaska brown/grizzly bear populations still thrive and are especially abundant on Admiralty, Baranof, and Chichagof islands (Schoen et al. 1987). Converting old-growth forests to managed second-growth forests will result in a decrease in the number of bears the area can support (Peek et al. 1987). However, a potentially more serious consequence of logging is the extensive system of logging roads that provides entry into previously inaccessible bear habitat (Peek et al. 1987). Roads greatly increase bear-human contact and ultimately lead to the death of more bears from sport hunting, killing in defense of life, and illegal kills. Only sport hunting can be effectively managed.

Historically, our success in maintaining stable grizzly populations while

intensively developing other resources in North America has been poor. Alaska represents our last opportunity for ensuring the grizzly a stronghold on this continent.

Harvesting old growth will potentially affect numerous species of birds including waterfowl, shorebirds, raptors, passerines, and even seabirds. Numerous migratory birds seek cover, forage, and nest in old-growth forests. Old growth also provides critical habitat for many resident birds during winter when inclement weather and limited food supplies threaten survival (Haapanen 1965, McClelland 1977).

Recent research (Noble 1978, Kessler 1979, Hughes 1985) indicates that at least twenty-six species of forest birds are associated with old growth in southeastern Alaska. Breeding populations of kinglets (*Regulus* spp.), woodpeckers, several species of hawks and owls, and others will be reduced as old-growth habitat disappears. Converting old growth to managed second growth greatly reduces the

structural diversity of the habitat, resulting in fewer places for birds to feed, nest, escape predators, and avoid bad weather.

Similar to deer, many forest bird populations are limited by the availability of food resources during winter (Fretwell 1972). Chickadees (*Parus* spp.), kinglets, woodpeckers, brown creepers (*Certhia americana*), and other birds use old growth for foraging and roosting during winter (McClelland 1977, Mannan and Meslow 1984, Hughes 1985). One common forest resident, the winter wren (*Troglodytes troglodytes*), nests and feeds in clearcuts during the breeding season but often is precluded from using clearcuts in winter due to heavy snow accumulation.

Large, standing dead trees, or snags, which occur naturally only in old-growth forests, are used most often as cavity sites by birds. Harvesting old growth permanently reduces suitable snag habitat for cavity-dependent birds (Haapanen 1965, McClelland 1977, Mannan and Meslow 1984, Hughes 1985). Leaving suitable snags will not ensure the perpetuation of cavity-dependent wildlife. Standing snags in clearcuts only provide potential nesting sites. Without the necessary forest cover and wintering habitat upon which nonmigratory cavity-nesting birds depend, snags remain unused.

Twelve of the twenty-six old-growth associated bird species in southeastern Alaska rely on tree cavities for nesting and roosting (Hughes 1985). In southeastern Alaska, certain traits make snags valuable as bird habitat. Cavity-nesting birds throughout the Northwest exhibit a strong preference for large diameter snags for cavity excavation (Balda 1975, Mannan et al. 1980, Raphael 1980, Zarnowitz and Manuwal 1985). Large snags, more than 58 cm in diameter, are used most often as cavity nest sites by birds in southeastern Alaska (Hughes 1985). In addition, snags with bird cavities nearly always contain heartrot decay throughout the snag (Hughes 1985). Heartrot softens the tree

interior and makes it suitable for excavation (McClelland 1977, Mannan et al. 1980, Raphael and White 1984). Short rotation age results in a major reduction of heartrot in second-growth stands since conifers less than 100 years old contain little decay (Kimmy 1956).

As with deer, the selective harvest of high-volume old growth may significantly impact several species of birds. For example, in surveys conducted on Admiralty Island, the winter density of hairy woodpeckers (*Picoides pubescens*) and golden-crowned kinglets (*Regulus satrapa*) was more than six times greater in high-volume stands than in low-volume old-growth stands (Hughes 1985). In a managed forest ecosystem the best way to ensure the availability of habitat for birds associated with old growth is to leave an adequate and sufficiently diverse array of old-growth stands undisturbed (Noble 1978, Franklin et al. 1981, Mannan and Meslow 1984, Hughes 1985).

Numerous other species also make extensive use of old-growth forests. More than 7000 bald eagles inhabit southeastern Alaska (King et al. 1972). Most nests occur near the coast primarily in large old-growth trees with an average age of more than 400 years (Hodges and Roberts 1982). Another species that is associated with old-growth forest is the Vancouver Canada goose (*Branta canadensis fulva*), which nests, rears broods, and forages in old growth, primarily low-volume stands (Lebeda and Ratti 1983). Recent evidence also suggests that the marbled murrelet (*Brachyramphus marmoratus*), a small seabird, nests in old-growth forests in northern California (Binford et al. 1975), Vancouver Island (Harris 1971), and southeastern Alaska (Quinlan and Hughes unpubl. data).

A number of furbearers are strongly associated with old-growth habitat including river otter (*Lutra canadensis*), marten (*Martes americana*), and mink (*Mustela vison*) (Johnson 1981, Larsen 1983, Worthington 1984, Johnson 1985).

During winters of deep snow, moose (*Alces alces*) also use old growth (Doerr 1983, Hundermark et al. 1983). In southeastern Alaska, even mountain goats (*Oreamnos americanus*) use old growth where, during winter, they seek the protective cover of steep forested sites adjacent to cliffs (Schoen and Kirchhoff 1982, Fox 1983, Smith 1985).

Old-growth forests also provide important habitat for a variety of fish and aquatic organisms, including several species of salmon (*Oncorhynchus* spp.) that use forest streams for spawning and rearing habitat (Hartman 1982, Meehan et al. 1984). The long-term effects of clearcutting old growth on salmon productivity are not yet well understood.

OLD-GROWTH MANAGEMENT: A HOLISTIC APPROACH

Though it is often convenient to describe old growth as valuable habitat to specific high-profile wildlife species (e.g., Sitka black-tailed deer, northern spotted owl [*Strix occidentalis caurina*]), we also must recognize its importance as a productive and complex ecosystem. Ecosystems are composed of interlinked plant and animal communities. These communities interact within their abiotic environments in a multitude of ways ranging from interspecific competition and predator-prey relationships to nitrogen fixation and nutrient cycling (see examples in Bormann and Likens 1979, Franklin et al. 1981, Maser and Trappe 1984, Norse et al. 1986).

Maintenance of biological diversity should be a goal of forest management and requires that all the integral parts of the ecosystem be preserved (Norse et al. 1986). Considering the recent initiation of major research efforts and limited data on the functions and processes within old-growth ecosystems, it is imperative that the remaining old-growth forests be managed conservatively.

Timber harvest is characteristically concentrated on the most accessible and valuable timber stands. This has resulted

in the significant reduction of certain forest community types (e.g., high-volume riparian spruce stands) and thus an increase in habitat fragmentation and reduction of biological diversity (Harris 1984, Norse et al. 1986). Ecological problems associated with habitat fragmentation include introduction of unacceptable habitat, insularization, vulnerability to natural catastrophe, reduction in size of populations, ecological imbalances, and negative edge effects (Harris 1984, White 1987, Wilcove 1987).

The theory of island biogeography (MacArthur and Wilson 1967) provides much of the background for the recent concern over habitat fragmentation. Because the Tongass National Forest encompasses an archipelago consisting of hundreds of islands ranging in size from less than 1 km² to more than 7000 km², habitat fragmentation is an even more significant management concern in southeastern Alaska than in national forests elsewhere.

In southeastern Alaska one approach to ecosystem management would be to identify entire watersheds or large areas with natural boundaries for old-growth retention (Schoen et al. 1984). Habitat protection for an entire watershed will ensure maintenance of the natural distribution and juxtaposition of habitat types, minimize habitat fragmentation, and provide habitat requirements for all the indigenous species for which there is, as yet, little or no available data. This approach is in contrast to current management that maximizes fragmentation by allocating habitat retention in small individual forest stands within watersheds. Generally, large habitat reserves are considered better than smaller more isolated ones (Diamond 1975) and also require less management to maintain existing species and communities (White 1987). The result of a watershed approach to old-growth retention is that some watersheds would be allocated primarily to timber production while others would be allocated exclusively for production of fish, wildlife, recreation, and maintenance of biological diversity.

On lands where old-growth harvest is scheduled and biological diversity is also an important goal (though both cannot be maximized on the same hectares in southeastern Alaska), we recommend that harvest of identifiable old-growth communities (e.g., volume classes) not exceed their proportional occurrence within the planning area. In situations where a particular forest community (e.g., riparian old growth) is rare and has been identified as critical fish or wildlife habitat, a further reduction in harvest would be warranted.

SUMMARY AND CONCLUSIONS

The science of wildlife ecology developed after most of the continent's old-growth forest had already been harvested. Thus, early generalizations about the value of old growth as wildlife habitat were founded on few data. In fact most of the research on the ecology of old growth and its associated plant and animal species has been published within the last decade. As our knowledge of old growth increases, so does our appreciation of its unique and intrinsic value.

Today the Tongass National Forest in southeastern Alaska supports the largest unbroken tracts of old growth in the United States. Though it is true that only a small percentage of the Tongass will be logged in any one year, most of that logging occurs in the relatively rare stands of high-volume old growth. This is where many of the wildlife, fisheries, and recreational values are centered. In the past, emphasis was placed on how many acres were set aside as old-growth wildlife habitat. Today an equally important concern is over what kind of acres are maintained for wildlife habitat.

"With present knowledge, it is not possible to create old-growth stands or markedly hasten the process by which nature creates them" (Society of American Foresters 1984, p. 17). Thus, management for old-growth ecosystems and the species associated with them must focus on identifying and

maintaining an adequate quantity and representative variety of old-growth stands.

Old growth has become a rare and diminishing national resource. Because it takes centuries to develop the ecological attributes of old growth, the biological effects of clearcutting are cumulative and long-term. As old-growth forests are harvested, our future management options are reduced. It is important, therefore, that the public be aware of the irreversible effects of harvesting the remaining old growth on public lands. The forest management decisions we make in southeastern Alaska today will determine to what extent future generations will have the opportunity to use and enjoy the unique biological, educational, and esthetic values that old-growth forests provide.

ACKNOWLEDGMENTS

We thank D. Anderson, K. Aubry, R. Flynn, R. McNay, and L. Suring for their constructive criticism and editorial review.

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